



ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Wheatley Housing Group Limited

Scottish Housing Regulator Registration No. 363
Registered No. SC426094

CHAIR'S REPORT

Wheatley has several badges of honour, one of our proudest being the UK's largest builder of social rented homes, a title we have held for three consecutive years.

In 2018/19, the Group built no fewer than 880 homes in support of the Scottish Government's More Homes Scotland agenda, and began work on a further 466 across Scotland.

This was and is a hugely ambitious new build programme and a key pillar of our current five year (2015-20) strategy, "Investing In Our Futures". That level of ambition will continue through our next strategy and will have resulted in Wheatley adding over 6,500 homes to Scotland's affordable housing supply between 2015 and the end of 2025.

Of course, our ability to maintain this exceptional level of new build activity is reliant on our ongoing ability to attract and secure high levels of both public and private investment. I am delighted to report Wheatley's outstanding reputation across the UK amongst stakeholders and partners, including existing and new investors, enabled the Group to raise a further £320 million in the 2018/19 financial year.

This included in July 2018, a £185 million landmark deal with the European Investment Bank, unveiled by EIB Vice President Jonathan Taylor and warmly welcomed during the announcement at a new-build site in the East End of Glasgow by Scotland's First Minister Nicola Sturgeon.

Later that year, Wheatley announced a ground-breaking £76.5 million 25-year debt-funding arrangement with Scottish Widows through its partnership with Bank of Scotland. The first of its kind in Scotland, the deal enabled Group commercial subsidiary Lowther Homes to buy 560 mid-market rent properties from three Wheatley Registered Social Landlords. In turn, this will enable those RSLs – Glasgow Housing Association ("GHA"), Cube and Dunedin Canmore - to use the proceeds to build 700 new social rent homes.

This was followed in November by a £50 million private placement with BlackRock Real Assets and then £16 million from the Scottish Government charitable bonds investment programme, managed by Allia Impact Finance, supporting Dunedin Canmore's house-building programme.

Each investment, I believe, is testimony to Wheatley's standing and reputation in Scotland and the rest of the UK. This was consolidated further by the publication in January this year of new research by the highly-regarded Fraser of Allander Institute ("FAI").

This outlined and proved the full extent and scale of the complete transformation of affordable housing in Glasgow under GHA, which remains the Group's powerhouse. FAI economists confirmed investment in the city by Scotland's largest social landlord since stock transfer in 2003 had contributed £2 billion to the Scottish economy. In modernising and refurbishing on time and within budget tens of thousands of former city council homes - the biggest programme of its kind in Europe - and building almost 2,500 new affordable houses and flats, GHA also supported each year 2,425 full-time jobs.

CHAIR'S REPORT (continued)

It is important to record that in a year in which the full impact of Universal Credit was felt by communities across the country, our award-winning charitable organisation, Wheatley Foundation, supported over 12,000 people, most of them disadvantaged and vulnerable. It did so under five key areas of focus: employment, tackling poverty, digital inclusion, education and sport and the arts.

A key statistic is that almost 650 people, the majority of them Wheatley customers, took up jobs, apprenticeships or training opportunities, with another 50 receiving bursaries to help them with the costs of studying at college or university.

It is also important to note all Wheatley boards have interrogated over the past three years the potential impact of Brexit on all parts of the business. This has included stress testing based on the Bank of England guidelines, scenario planning and ongoing comprehensive risk analysis. These measures, as well as over 90% of Group borrowing being on fixed interest, would provide important protection from the worst effects of a no-deal Brexit.

Overall, despite the challenging economic climate unsettled by Brexit uncertainty, Wheatley generated a strengthening financial performance and strong liquidity, resulting in the Group's financial outlook being revised upward by S&P Global Ratings. The agency revised its forecast to "stable" from "negative" and affirmed our A+ credit rating. Wheatley's Stand Alone Credit Profile was also upgraded from A to A+.

This was another important vote of confidence in the Group as we prepare to enter the final year of our *Investing In Our Futures* strategy and begin the task of finalising, consulting on and implementing next year our 2020-25 strategy, which says it all, "*Inspiring Ambition, Unleashing Potential*".

Alastair MacNish OBE

Chair of Wheatley Housing Group Board

CHIEF EXECUTIVE'S REPORT

Wheatley's mission is to make lives, not just homes, better.

Over 2018/19 our ability to rise to that mission was put to the test, perhaps more than at any other time, as Universal Credit was rolled out and its impact felt across our communities.

Universal Credit ("UC") was introduced to replace six means-tested benefits and tax credits. It was the single biggest overhaul of the welfare system in living memory and was billed as an empowering, revamp that would make work pay. However it has left thousands of vulnerable people worse off, confused and distressed as they struggle to cope with the every-day demands of life.

That was the context in which we operated over 2018/19. Our focus more than ever before was supporting customers by delivering personalised services which helped them through their challenges.

In April 2018, our GoMobile project saw new tablet computers rolled out to all 300 housing officers across our six social landlords. This gives officers much more scope to be out in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online, now a prerequisite for accessing Universal Credit.

Our wraparound services, from money and fuel advice to help with furnishing a home, became more important than ever, particularly for those making the transition on to the new benefit. In fact, we saw demand for our Eat Well service, which provides emergency food to households, increase sharply and have put plans in place to expand it over the next year. We have also created a new Universal Credit Taskforce which will offer personalised and specialist support as people move on to Universal Credit.

We brought the delivery of all our support and wraparound services together in a new division – Wheatley 360. This included our Community Improvement Partnership and our Neighbourhood Environmental Services. The aim is to create a holistic approach to supporting people and communities and make it easier for our housing officers – the lynchpin of successful tenancies and sustainable communities – to draw down packages of services for their customers.

We also introduced MyHousing, a modern, online housing advice, information and letting service which ensures everyone looking for a home gets personalised advice about their housing and signposts them to options that are best for them.

Making the costs of running a home affordable has been a key focus for us and we have launched an innovative new online portal called *MySavings* which offers our customers discounts on every-day shopping from a wide range of retailers.

I am hugely proud of how all our staff have rallied this year to support customers of every age and in every circumstance to have a better life. Our benefits and fuel advisors put £8.6million into our tenants' pockets by helping them claim money or savings to which they were entitled. Through our Livingwell services, delivered by Loretto Care, we supported 909 older tenants to live independently at home. Through our new Wheatley Works service, run by the Wheatley Foundation, we supported 646 people into work and training. Our fire safety prevention work resulted in an 11% reduction in fires in our homes. As we continued our own journey towards improving outcomes for customers by offering more services online, we helped over 7,000 people in disadvantaged areas get on the internet by offering free computer access and training. The list goes on.

CHIEF EXECUTIVE'S REPORT (continued)

As Henk Bijl, lead assessor of the European Foundation for Quality Management commented in his feedback session after he and a team of nine assessors visited Wheatley: "You make lives better every day. What more value can you add? Please don't stop doing what you're doing."

Of course at no point do we ever lose sight of our mission to provide more quality, affordable housing. Alongside our new-build programme which saw 880 homes completed this year, we invested £91million in improving and making existing homes warmer, more energy-efficient and our neighbourhoods safer, tidier and more peaceful.

Our work on making homes and lives better was recognised many times over during the year. This included our development team winning Inside Housing's Development Team of the Year award, GHA being named Housing Association of the Year at the Scottish Home Awards and Dunedin Canmore securing Quality Scotland's Scottish Award for Business Excellence.

Customer satisfaction remains the most important barometer of our performance. We're delighted that in 2018/19 satisfaction with our landlords' overall service stood at around 90% with West Lothian Housing Partnership achieving 98%.

So as we end the fourth year of our strategy *Investing in Our Futures*, we stand on the cusp of realising, if not surpassing, the ambitious vision we set out back in 2015. We also stand ready to build on that investment in our next five-year strategy, *Inspiring Ambition, Unleashing Potential*.

Martin Armstrong

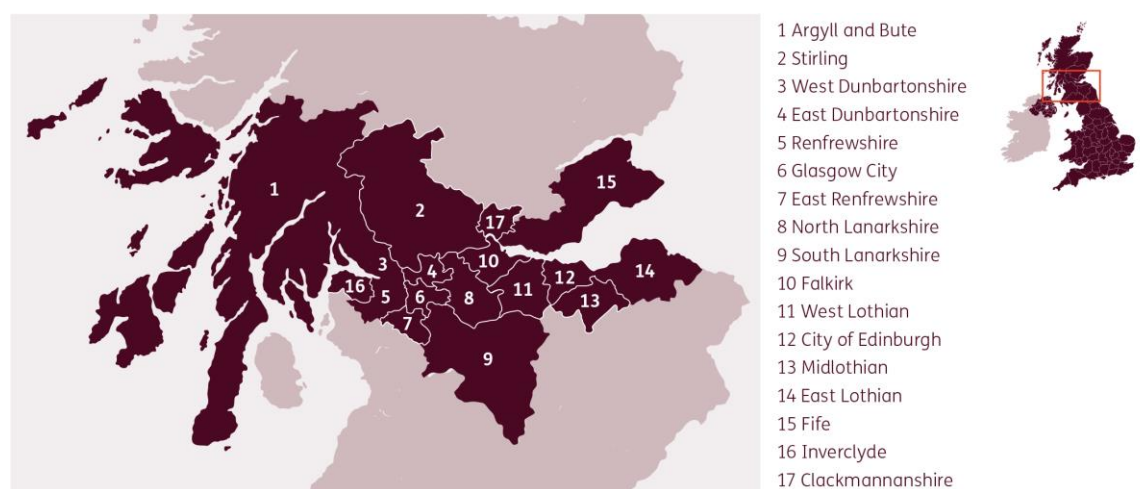
Wheatley Housing Group Chief Executive

STRATEGIC REPORT

Our mission is 'Making Homes and Lives Better'.

Where we are

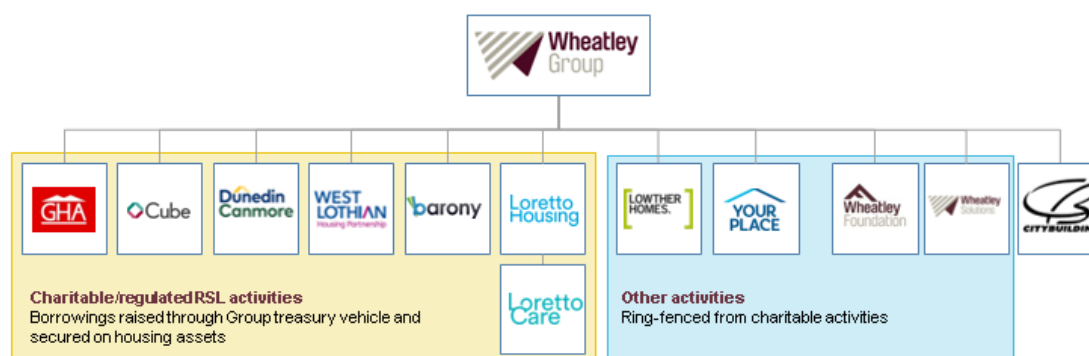
Headquartered in Glasgow, we serve 200,000 customers in 17 local authority areas across central Scotland through our Registered Social Landlords, care organisations and commercial subsidiaries. Each part of the Wheatley family is focused on delivering excellence no matter what they do and each remains firmly rooted in their communities, providing services tailored to the needs of their individual customers.



Wheatley Housing Group Limited, as the the Group parent, does not own any homes but provides strategic oversight to all subsidiaries and is registered with the Scottish Housing Regulator.

What we do

Wheatley delivers its activities to customers through eleven wholly owned subsidiaries, supported by the joint venture with City Building (Glasgow) LLP. The Group's operating structure as at 31 March 2019 is shown below.



STRATEGIC REPORT (continued)

The largest part of the Group's operating footprint is in the west of Scotland, with almost 45,000 homes owned and managed by Glasgow Housing Association, Cube Housing Association and Loretto Housing. Our presence in the east of Scotland continues to grow, benefitting from over 270 new build homes completed in the year by Dunedin Canmore Housing Association and West Lothian Housing Partnership.

While care is a relatively small part of the Group in financial terms (less than 5% of turnover), Loretto Care supports over 1,000 people with specialist needs, many of whom live in properties owned by its parent entity, Loretto Housing Association Limited. In East and central Scotland, Barony provides care and support services to over 700 people.

Lowther Homes Limited has a portfolio of 1,183 private rented homes which grew following the acquisition of over 560 mid market rent properties from several of the Group's RSLs. Lowther also provides management services to the Group's mid-market rented homes. Planning is underway to merge Lowther with YourPlace Property Management Limited, which provides factoring (common property management services) almost 28,000 customers.

Wheatley Solutions provides support services, ranging from finance, IT and procurement to governance, assurance, legal and communications and marketing, to the Group's partner organisations. The Group's charitable trust, Wheatley Foundation, delivers our community and better lives activity.

The Group has a 50% interest in City Building (Glasgow) LLP ("CBG") under a 50:50 joint venture arrangement with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries in the west of Scotland. A share of the results of CBG are included in the financial statements.

In July 2019, following the year-end, the Group announced that it had entered into discussion with Dumfries and Galloway Housing Partnership ("DGHP") about a potential constitutional partnership under which Wheatley Housing Group Limited would become the parent company of DGHP. These plans will be subject to a ballot of DGHP's tenants.

The year under review

The year to March 2019 marked the fourth stage of the journey we set out in our five-year strategy *Investing in our Futures*.

Investing In Our Futures is built on the five strategic platforms of:

- **Customer Service Excellence**
- **Asset Growth and Partnerships**
- **Transforming the Care Environment**
- **Building Shared Capability**
- **A Strong and Diverse Funding Base**

Strong progress was made on these throughout the year, set out by theme as follows:

STRATEGIC REPORT (continued)

Customer Service Excellence

- **Outstanding performance**

Wheatley's subsidiaries retained high levels of customer satisfaction, up to 98% in some areas of the business, and the Group achieved national recognition for delivering outstanding services.

Customer Service Excellence ("CSE") is the national standard for excellence in customer service in public sector organisations overseen by the UK Government's Cabinet Office.

We achieved full compliance in all aspects of the standard with 23 elements rated as Compliance Plus. The assessors commented: "All parts of the Group demonstrated a passionate commitment to the delivery of customer focussed services. The Group is to be particularly congratulated this year for achieving full compliance in all aspects of the Standard, with 23 elements rated as Compliance Plus, which is outstanding."

Despite the challenges presented by Universal Credit, all parts of the Group returned a strong performance across the indicators reported each year to the Scottish Housing Regulator, with four of our social landlords now in the top quartile on 80% of indicators.

Overall tenant satisfaction was around the 90% target for our six RSLs with GHA achieving 90%, Barony 96% and WLHP 98%. Satisfaction with our repairs and maintenance service was over 91% for all the landlords.

- **Innovative new approaches**

We launched a number of innovative new approaches to further improve services and support to our customers. These included:

- *MyHousing*, Wheatley's new online housing information, advice and letting service website which now offers personalised and honest advice to help people make the right choices about their housing;
- *Go Mobile* which has seen all our 300 housing officers now working with new tablet computers, giving them more scope to be out in their community, supporting customers in their homes;
- *Wheatley 360* which has brought together our Community Improvement Partnership, housing advice, environmental services and wraparound services into one division so that staff can support communities from every angle;
- *MySavings* which we launched in 2019 offering all our customers discounts and deals on their shopping to help make the cost of running their home more affordable. The online portal is run by Rewards Gateway.

- **More convenience for customers**

Wheatley's online channels and services, which offer our customers easy and convenient ways to pay bills, book appointments and access advice and information, continued to grow in size and popularity. The number of customers visiting our suite of websites increased significantly with an average 83,700 users every month.

STRATEGIC REPORT (continued)

More and more of these users are transacting online using our improved online self-services to pay rent, book repairs, check their account balance, report environmental issues and more.

Over 21,800 customers were registered for an online account in 2018/19 – up from 7,000 in the previous financial year – with nearly £10,717,000 taken online in the year. Our followers on social media also increased to over 27,200 followers on Facebook, Twitter and on the new Wheatley Group LinkedIn account.

- **Supporting people through challenge**

The roll-out of Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other difficulties with personalised help. Our wraparound services, from money, benefits and fuel advice to help with furnishing their homes, became more important than ever, particularly for those making the transition to the new benefit.

Working with Wheatley Foundation and Wheatley 360, our subsidiaries:

- created 788 opportunities which supported 646 customers into work or training;
- supported 1,765 new tenants with household budgeting, running a home and settling into their community through My Great Start;
- put food on the table in 1,028 homes through our EatWell service;
- gave 780 tenants upcycled furniture through our Home Comforts service;
- awarded 50 young people from our homes a bursary to go to university or college;
- provided free books every month for 516 children under five years in our homes through the Dolly Parton Imagination Library initiative.

Asset Growth and Partnerships

- **Building new homes**

Our ambitious new build programme saw us named the largest developer of social housing in the UK by Inside Housing for the third year in a row. In 2018/19 we completed 880 new homes, 640 for social rent and 240 for mid-market rent. We also started work on a further 466 across 13 sites.

Our new-build programme included West Lothian Housing Partnership's ("WLHP") first homes since it was formed in 2002. The 55 energy-efficient homes, all for social rent, are part of a major expansion of Winchburgh in West Lothian that will see the village transformed over 15 years.

Our future new-build plans will see WLHP, which currently has just over 430 homes, almost double its housing stock by 2022.

Among the homes completed across Wheatley communities were:

STRATEGIC REPORT (continued)



- 51 on the site of the former high-rise blocks at Tarfside Oval in Cardonald, Glasgow;
 - 45 in Govanhill, Glasgow, on the site of Victoria Primary School;
 - 54 houses and flats in Cathay Street, GHA's first new-build in Glasgow's Milton, and a further 70 by Cube in nearby Liddesdale Road;
 - 31 homes – complete with a new-look local shop – in Castlehill in Dumbarton on a site which had lain derelict since the demolition of old tenements;
 - 12 in Barrhead in East Renfrewshire;
 - the final 56 at an 111-home development in Craigmillar in Edinburgh, the first phase of a multi-million pound transformation of the community;
 - 24 at Moredun and Hyvots, the final piece of a £70m transformation of the community which has spanned two decades;
 - 44 energy-efficient houses in Wallyford in East Lothian, also part of a wider regeneration project which will see almost 1,500 new homes, new primary and secondary schools, open spaces and sports facilities;
 - 20 at the second phase of North Berwick.
- **Homes for older people**
We created an independent living block for older people by refurbishing flats at 415 Nitshill Road in the south of Glasgow. The block, which has 42 flats, is exclusively for older tenants aged 55+ and the first floor has been taken over to provide space for the residents to meet and socialise in. The new facility has a garden room, a new lounge and kitchen, a fitness and wellbeing suite, a visitor room and room for a hairdresser.

New technology – such as gym equipment and a touchscreen with information on local services in the area – will help staff support people to live independently for longer.

Nitshill Road is a model for future developments for older people and is part of our ambition to support people to live independently in their community for as long as possible. Alongside this we continued building amenity blocks, which are also designed for older people, as part of our wider new-build programme.

STRATEGIC REPORT (continued)

- **Protecting our homes**

We also invested £65 million improving our existing homes, making them warmer, more energy efficient and attractive places to lives.

Key projects carried out over the year included:

- the installation of an innovative district heating system at Hillpark Drive in the south of Glasgow, benefitting around 350 homes;
- major improvement works on a further 28 Winget blocks in Glasgow's Carntyne including structural repairs, new roofs and wall insulation as well as new heating systems and kitchen, bathroom and rewire upgrades;
- 20 new lifts installed in GHA multi-storey blocks at Ruby Street, Baltic Street and Helenvale, upgrades at Drygate and Townhead and improvements to common areas in Cube multi-storeys in Broomhill and Gorget including modern, inviting foyers and new lighting;
- over £8.5m to improve fire safety even further in our homes. These improvements included repairing and replacing fire doors, renewing bin chutes and installing new emergency lighting in multi-storeys as well as starting a programme of smoke and heat detector upgrades;
- the final phase of external wall insulation and new roofs at 27 blocks in Ladyton and Nobleston in West Dumbartonshire;
- 822 further kitchens, 941 bathrooms and 305 electrical wiring upgrades across our communities .

- **Economic impact of our work**

In January 2019, Economists at the Fraser of Allander Institute published a report into the economic impact of the work carried out by our largest subsidiary GHA.

They found that GHA's investment and new build programmes had, since stock transfer in 2003, contributed a huge £2billion to the Scottish economy.

In that time, GHA has modernised more than 70,000 former city council homes and built almost 2,500 new affordable houses and flats.

The modernisation programme, the biggest of its kind in Europe, has, as well as making a substantial contribution to the economy, also, according to the Fraser of Allander research, supported 2,425 full-time jobs every year.

- **Jobs and apprentices**

Our work continued to generate and support jobs, training and apprenticeships for people who live in our communities as part of our *Better Lives* agenda.

We helped 646 people from into work or training either through a total of 788 opportunities created by our investment and new-build contracts or through our employability schemes such as our Modern Apprenticeships. The majority, 68%, of the opportunities created were taken up by people who live in our homes. In some cases people moved from a training place into a job. Opportunities included:

- 441 training places ranging from 12-month Changing Lives placements in our environmental services to short work placements through our Community Benefits clauses in all our investment contracts;

STRATEGIC REPORT (continued)

- 185 apprenticeships including our Business Admin apprenticeships, trade apprentices at City Building (Glasgow) LLP which we jointly own and apprenticeships supported by our external contractors;
- 162 jobs which includes people who progressed from training programmes into work and people supported into employment through our Wheatley Works programmes.
- **Safe and clean environments**
Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with our communities to tackle anti-social behaviour, crime and fire safety in neighbourhoods.

Our *Stay Safe* campaign, aimed at promoting safety messages to customers, continued to drive the uptake of home safety visits in our properties. Home safety visits, carried out by an officer from Scottish Fire and Rescue Service, are key to helping prevent fires in our homes. Across Wheatley there was an 81% increase in home safety visits – up from 1,550 in 2017/18 to 2,812 in 2018/19 – with the total number of fires in our homes falling by 11%.

More of our neighbourhoods also gained a four-star, or above, environmental standard through our new partnership with Keep Scotland Beautiful which involves tenant inspections.

Transforming the Care Environment

- **Strong performance**
It was a strong and steady year for our two care subsidiaries Loretto Care and Barony as they further improved and modernised services, achieved excellent results in inspections carried out by the Care Inspectorate and provided care and support to over 7,000 people.

Our care services ended the year with a good performance against our business plan targets. We saw growth across our Self Directed Support Services with funding coming in significantly above target. We widened our involvement in Housing First, an approach which sees rough sleepers given a home with all the support they need to stay there. We are now a key partner for the delivery of Housing First in Glasgow and Stirling as well as Edinburgh.

Total care income at the end of the year was £17,494,000 with our surplus above target.

Loretto Care and Barony worked ever more closely together sharing experience, expertise and resources. In 2019, they began exploring how they could work together more formally so as to build further resilience and continue responding to external challenges.

- **Care inspections**
Of Loretto Care's 14 services registered with the Care Inspectorate, 12 have received grades of very good (5) and excellent (6) in all areas inspected which equates to 86%.

Looking at Care Inspectorate grades for similar services, the national picture shows 47% of services receiving grades of five or six. Loretto is therefore performing significantly better than the sector average.

STRATEGIC REPORT (continued)

Similarly, Barony is performing well. Seven Care Inspectorate reports were finalised in 2018/2019 with six of them achieving very good (5) and excellent (6) grades.

Only five internal complaints were received by Barony in 2018/2019, a very low number given the number of people supported. No complaints were made directly to the Care Inspectorate. Loretto Care received 10, down significantly from 20 the year before. Four of the complaints were upheld.

All our staff who require to be are compliant with Scottish Social Services Council ("SSSC") registration requirements.

- **Modernising services**

We continued to work closely with a number of local authorities over the past year to improve and modernise services for the people we work for. In recognising people's changing needs, we re-provisioned three Shared Living resources in Edinburgh and Falkirk. People we work for were able to benefit from new homes through Wheatley Group's housing partners and moved into energy efficient one and two bedroom flats with full care and support packages.

This included:

- 10 people successfully moving in to Dunedin Canmore's new development in Craigmillar, Edinburgh, with continued on-site Barony staff support; and
- Three people successfully moving into Loretto Housing homes in Falkirk and Grangemouth while continuing to receive individualised support packages.

- **Independent living for older people**

Livingwell, Wheatley's new service for older tenants, launched in April 2018. *Livingwell* gives older people much more than a home. It helps customers live independently within a lively community, helping them explore their interests and enjoy a thriving social life.

In total, 29 complexes across Wheatley's three social landlords in Glasgow have access seven days a week to a team of housing and care staff. Together the team helps older customers live their best life.

Since *Livingwell* started, we have held more than 2,500 different events, all tailored to the needs and interests of customers. These have included language classes in Spanish, German and French, gardening, line dancing and discos, and "Meet the Neighbours" parties for people moving in to new build homes.

Livingwell also work in partnership with health professionals to deliver activities that ensure customers' health and wellbeing needs are met. These include breast screening awareness and an oral hygiene programme.

- **Supporting vulnerable tenants**

The Tenancy Support Service ("TSS"), delivered by our care teams, continued to help vulnerable tenants of Wheatley's Registered Social Landlords. The teams provide specialised support ranging from money and budgeting advice through to help with addictions and health and wellbeing. The aim is to support people to maintain their tenancy.

Over 2018/19 a total of 1,775 tenants were supported with the vast majority who moved on from the service saying they had achieved positive outcomes as a result. This included 84%

STRATEGIC REPORT (continued)

who reported a positive or maintained distance travelled in relation to housing and their tenancy and 68% who reported a positive or maintained distance travelled in relation to their health and wellbeing.

Building Shared Capability

- **Supporting innovation**

We encourage and support people at every level of our organisation to have the confidence to develop ideas that will make a real difference to our communities.

As part of this we held an innovation conference with international speakers and an audience comprising Wheatley leaders and external delegates. The *W.E. Create* conference, held in January 2019, gave people the chance to learn from the world's most creative thinkers, giving them more confidence to develop great ideas for customers and communities.

Speakers – hailing from Europe to the US – discussed how creativity and innovation can transform services, and included Women in Business award winner, Angie Foreman, who directs the Coca-Cola 5b20 programme to support and empower women worldwide, Copenhagen's chief architect Tina Saaby and Steve Rick, chief executive of Scottish aviation firm Menzies Aviation.

We also introduced the *Accelerator* programme across Wheatley. Delivered in partnership with the Lens, the programme gives all staff the opportunity to develop ideas which can make the difference to communities or our business. Almost 800 staff attended engagement events to discuss their ideas, and the teams with the best ideas will get the chance later in 2019 to bid for a share of £20,000 to launch their project.

- **Developing learning**

We launched *MyAcademy* our new online learning portal which provides a blended approach to digital and practical learning for all our 2,500 staff.

In its first year of operation, we saw:

- 98% of all staff engage in learning through *My Academy*;
- 96% of staff telling us they were satisfied with access to learning via the Academy;
- All personal development now bookable through self-service, putting staff more in control of their own learning.

We also introduced a leadership programme and rolled out training to frontline staff as we introduced *GoMobile* and *MyHousing*.

We continued a programme of engaging staff conferences, holding our first ever environmental conference, held over four days in Glasgow and Edinburgh, allowing almost 500 of our NETs staff to attend. We also followed up with our second young person's conference, providing a firm foundation for young people in the group to develop their careers as they move from apprenticeships and other training places into permanent employment in the group.

STRATEGIC REPORT (continued)

- **Empowering communities**

One of our aims is to help people in our homes to build new skills and confidence, to better engage with them and empower them to make things happen for themselves and their communities.

That's why we commissioned The Democratic Society to carry out an international study of best practice in engagement. We were determined to capture new thinking from around the world, going beyond the housing and care sectors and learning from what is happening across all public and private sectors. Their report, published this year, drew on contributions from around the world - from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna – and was the first of its kind to be undertaken in the UK. It throws a new light on the relationship organisations strive to develop with their customers and emphasises that we should adopt fresh, new engagement approaches, tools and techniques. The report is influencing our own approach to engaging with our communities and has stimulated discussion across the housing sector.

We continued to maintain our strong connections across communities, with a further 70 apprentices and 45 changing lives placements taken on over the course of the year. Through our programme of work experience and qualifications for these individuals, the majority move into positive destinations, either with a permanent job with Wheatley, across our supply chain or continue with further education.

- **Rewarding and recognising staff**

Our *W.E. Excel* Awards which recognise staff who go the extra mile entered their second year and culminated in a Grand Final in Glasgow in November 2018. More than 120 staff and guests attended with 11 awards collected by teams and individuals across the business. The awards run all year round with earlier stages seeing individual teams and subsidiaries designing their own events to celebrate success.

Our rewards package continues to offer staff an exceptional range of benefits including shopping discounts, help with opticians and dental treatments and help with annual travel.

- **External recognition**

Our upgraded intranet site, *W.E. Connect*, launched in March 2018 with new interactive features to encourage staff to engage, won a number of UK awards throughout the year including Best Use of Video at the Interact Intranet Awards and the silver award for Best Intranet at the Communicate Magazine Internal Communications and Engagement Awards.

Both Cube and Loretto were finalists in the Investors in People ("IIP") awards 2018, with Loretto securing the Excellence in Leadership and Management Award.

A Strong and Diverse Funding Base

The timing and nature of the UK's departure from the European Union still remains unclear. However our housing and development activities have minimal exposure to implications of Brexit which may be seen in the wider housing market, with no "build for sale" activities in the Group.

STRATEGIC REPORT (continued)

A key element of our financial strategy is the ongoing focus on delivering operational efficiencies embedded within our business plan and annual budgets. Over recent years adjusted EBITDA has shown an improving trend and 2018/19 was no exception with a new high of over £105m, an increase of £16m compared to the prior year. The Group's turnover also rose to over £333m. We are focused on providing excellent services that represent value for money to our customers and over the period since 2015, the Group has seen its social housing operating cost per unit fall from £2,477 to £2,367.

The Group secured several new sources of funding during the year. A new £185 million facility with the European Investment Bank was put in place in July 2018 to help support our growth plans for our Registered Social Landlords. A new £50 million private placement with BlackRock Real Assets was secured along with a further £16 million from the Scottish Government Charitable Bonds investment programme, which is managed by Allia Impact Finance, and will support Dunedin Canmore's new build programme. In our commercial business, Lowther Homes, a £76.5 million 25-year debt-funding arrangement with Scottish Widows was agreed. This new arrangement for Lowther provided funding for the purchase of 560 mid-market rent properties from three Wheatley Registered Social Landlords. In turn, this will enable those RSLs - GHA, Cube and Dunedin Canmore - to use the proceeds to build an additional 700 new social rented homes.

The Group's financial position strengthened, with gearing as measured by debt as a percentage of asset values fell to 56% against a backdrop of the completion of 880 new build homes and 473 under construction. The financial outlook for the Group was reviewed by Standard and Poor's and the forecast was revised from "stable" from "negative" and our A+ credit rating was reconfirmed. Wheatley's Stand Alone Credit Profile was also upgraded from A to A+.

Our commercial operations providing private letting and factoring services through Lowther Homes and YourPlace had another successful year. Lowther Homes grew its portfolio of properties with acquisitions at Ferry Village and the transfer of over 560 properties from GHA, Cube and Dunedin Canmore, helping turnover grow by over 15% and underlying operating surplus before revaluation adjustments grow from £4.4m to £5.6m. Gift aid of £3.0m was paid to Wheatley Foundation by the commercial businesses, exceeding the target.

FINANCIAL PERFORMANCE

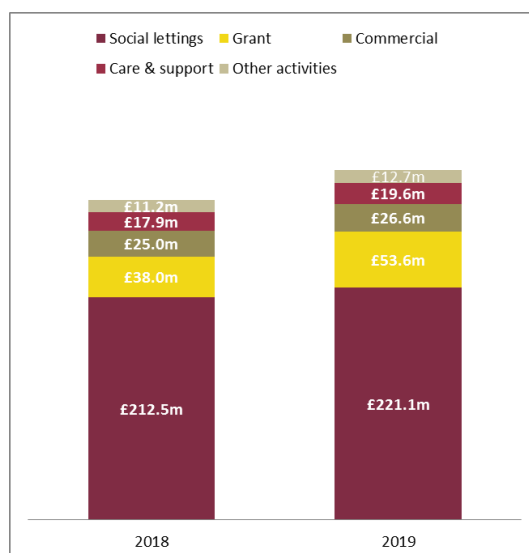
The Group's key financial performance indicators continued to strengthen, complementing a similar trend in customer satisfaction measures, a reflection of the Group's ability to focus on the activities customers have told us are most important.

STRATEGIC REPORT (continued)

Group Highlights

Statement of Comprehensive Income

- In the year to 31 March 2019, turnover increased to £333.6m, up 10% from £304.6m in 2018.
- Turnover generated in the Group's core social letting business grew to £221.1m up from £212.5m in the prior year.
- Non social housing activities account for a small proportion of the Group's overall turnover. Care and support income is £19.6m representing 6% of Group turnover, a further £26.6m or 8% relates to commercial factoring and letting activities. Other income increased to £12.7m and includes donations to the Wheatley Foundation, income from owners for improvements and commercial property income.



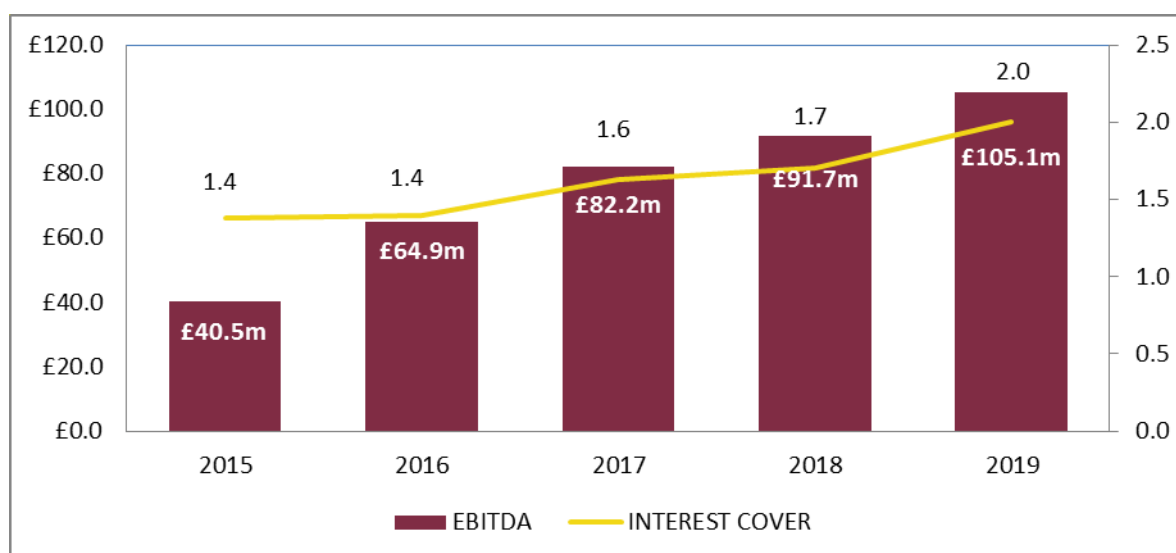
- An unrealised surplus on the valuation of housing and office properties of £86.8m (2018: £82.3m) was recognised in other comprehensive income.
- Total Comprehensive income for the year was £72.7m, reducing from £94.5m. Movements in the year arose from in the main:
 - a reduction in the defined benefit pension scheme net asset (£12.3m);
 - the alignment of the depreciable life of the structure component of the Group's social housing properties to be consistent at 50 years (£12.2m);
 - reduction in the valuation of new build mid-market rent properties completed in the year (£12.4m);
 - increased grant income (£13.4m); and
 - Improvement in the surplus before depreciation, grant income, pension movements and investment property revaluations split out above (£6.3m).

STRATEGIC REPORT (continued)

- Earnings before interest, tax, depreciation and amortisation adjusted to remove non cash accounting adjustments grew 15% up to £105.1m from £91.7m in 2017/18.

	2019	2018
	£m	£m
Operating surplus	56.1	62.2
Depreciation	83.3	65.6
Revaluation movements	10.6	(1.7)
Grant income on new build properties	(51.0)	(37.5)
Non cash pension adjustments	6.1	3.1
EBITDA	105.1	91.7

- The Group's ability to meet interest payments due on borrowings from surplus earned, also known as interest cover, grew from 1.7 times in 2018 to 2.0 times.
- The five year trend on both these KPIs shows consistent growth and a significant strengthening of the Group's financial position over the period.



STRATEGIC REPORT (continued)

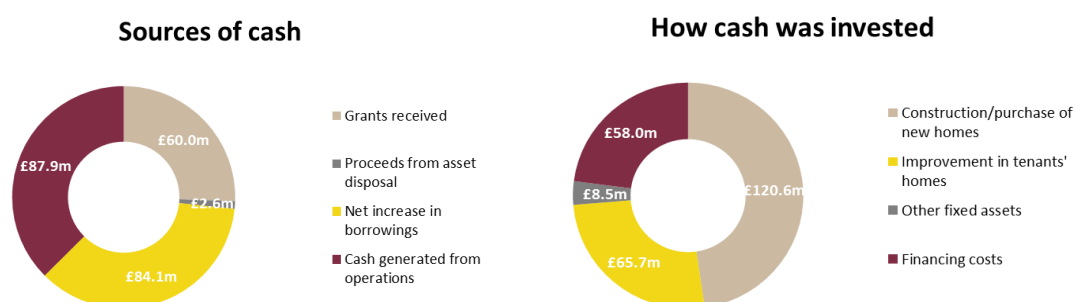
Statement of Financial Position

- Total net assets of £843.9m increased by £70.6m in the year;
- Housing properties have increased in value by £158.6m, a result of the return on investment in customers' homes and the investment in the new build programme which has seen a total of 880 new homes completed in the year;
- Debt levels remain at an appropriate and sustainable level, with long term loans of £1,174.6m (2018: £1,091.2m). Gross debt per unit was £21,520, which is below the majority of large UK housing groups. Gearing, measured by debt as a percentage of asset values in the Statement of Financial Position, was 56.0% at 31 March 2019.

Cash flow and liquidity

The Group continued to deliver a high level of cash generation from operating activities which helped to underpin our growing new build programme and maintain a high level of investment in existing homes.

- Cash of £87.8m was generated from operations, a reduction of £30.4m from 2018 due to the timing of settlement of amounts due under the Group's new build programme and housing benefit receipts at the year end.
- At 31 March 2019, cash and cash equivalents were £33.6m; a decrease of £18.7m in the year, a result of lower cash balances held by the Group's funding entities.



- Grant income of £60.0m (2018: £55.3m) further supported the development of new housing, and this was accessed under long term agreements with the Scottish Government.

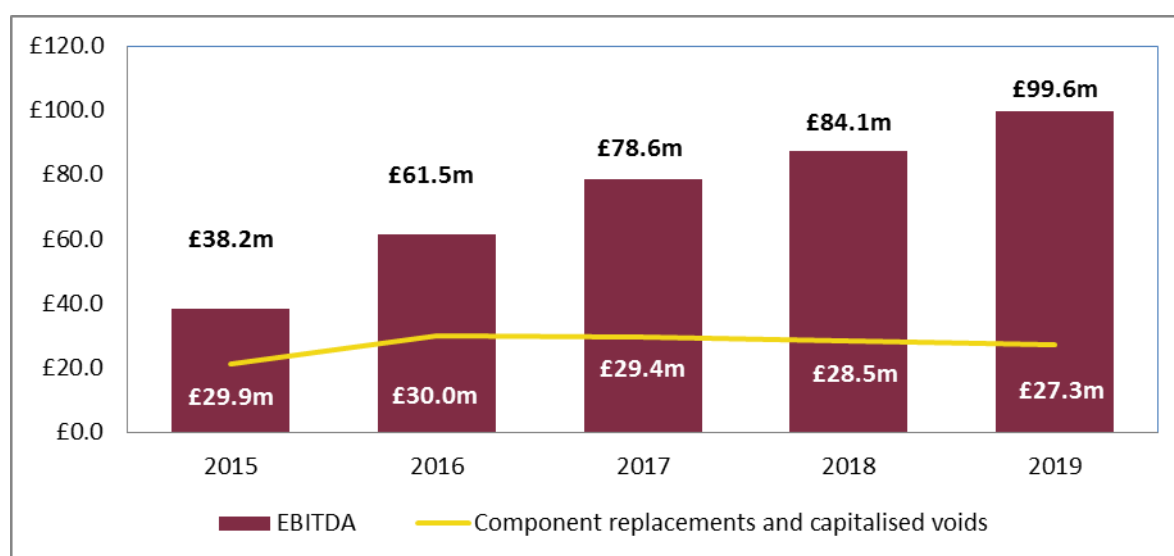
STRATEGIC REPORT (continued)

Social Letting Activities highlights

In addition to the Group measures of overall operating surplus and EBITDA, a number of key performance indicators ("KPIs") are used to assess and benchmark performance of our Registered Social Landlords against our strategic objective of delivering excellent services with a particular focus on services that represent Value for Money.

- Earnings to component replacements and capitalised void costs

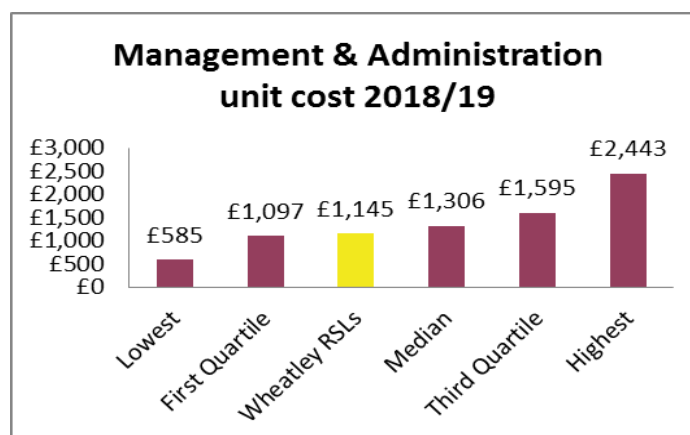
A measure of financial strength of the Group's RSLs is the level of earnings against the cost component replacements and capitalised voids costs in social housing properties (note 17). This is measured using adjusted EBITDA after deduction of non-cash accounting adjustments. Strengthening the ability of the RSLs to generate surpluses over and above the level required to fund capitalised repairs and component replacements is a key performance indicator and the results shown in the chart demonstrate the improvement. In 2018/19, EBITDA covered 365% of the costs of capitalised repairs and component replacements in the Group's social housing stock. This has grown steadily over the last five years from 127% in 2014/15.



- Management and administration costs

Management costs are reported in note 4 to these financial statements. For the Group, management cost per unit was £1,145, and since 2015/16 has been consistently below the median for the sector as compared against other mainstream Scottish RSLs with a majority of stock classified as general needs. This has been achieved against a context where around one in four of the Group's properties are high rise flats, where management costs are higher due to the investment in concierge and environmental management services we provide.

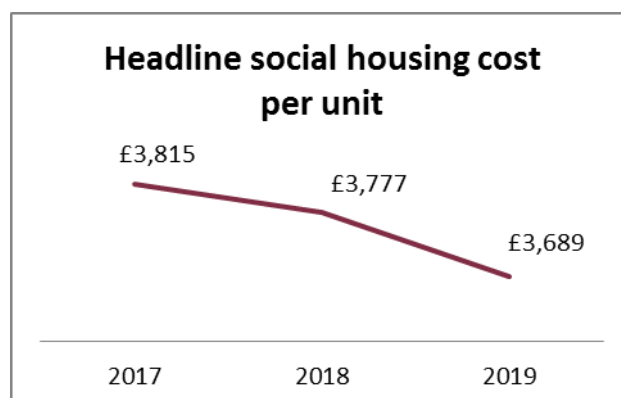
STRATEGIC REPORT (continued)



Source: Scottish Housing Regulator comparison of Scottish RSL unit costs 2017/18

- Operating cost per unit

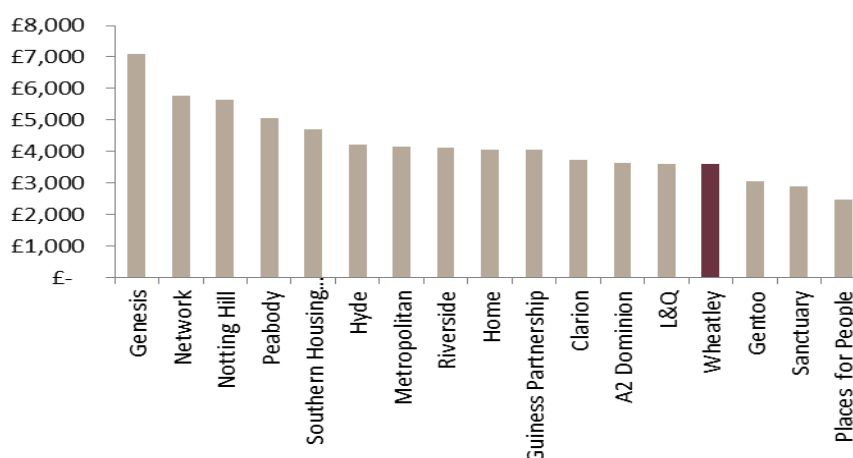
The overall cost per unit of the Group's social letting activities fell once again in 2018/19 to £3,689 from £3,777 in 2017/18.



The performance of the Group's RSLs is also benchmarked against a peer group of comparable social housing Groups in the UK, to ensure we can remain confident in the progress the social landlords are making against the performance targets. In the key comparator of operating cost per unit, not only has the Group reduced cost over time but is well placed within the peer group as shown in the chart below.

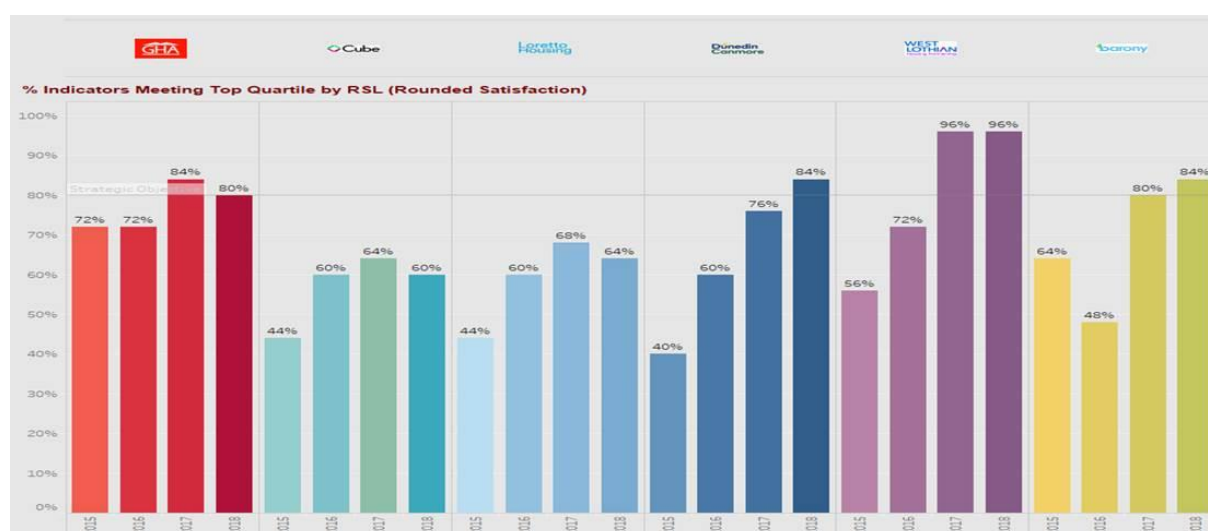
STRATEGIC REPORT (continued)

Social housing cost per unit



Source: 2017/18 statutory accounts, Wheatley 2018/19 statutory accounts

Performance in the RSLs is assessed not only on financial measures, the Group has committed to a strategic objective of achieving over 80% of RSL performance measures in the top quartile across the sector in Scotland. The measures are reported in the Annual Return on the Charter (“ARC”) to the Scottish Housing Regulator. The trends in the Group’s RSL performance in the period of *Investing in Our Futures* strategy is shown in the chart, with performance in 2018/19 compared against the last published data for 2017/18 by the Regulator. Progress over the period of the Investing in Our Futures strategy is shown in the chart. This year, Dunedin Canmore and Barony have joined GHA and West Lothian Housing Partnership in achieving over 80% of measures in the top quartile.

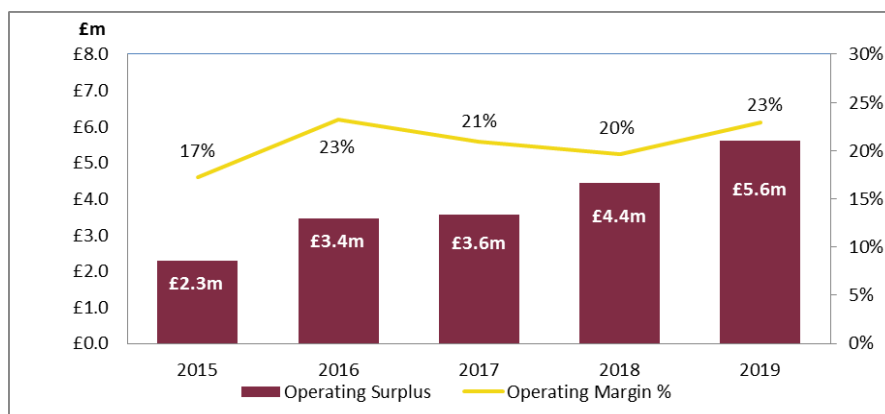


STRATEGIC REPORT (continued)

Commercial Highlights

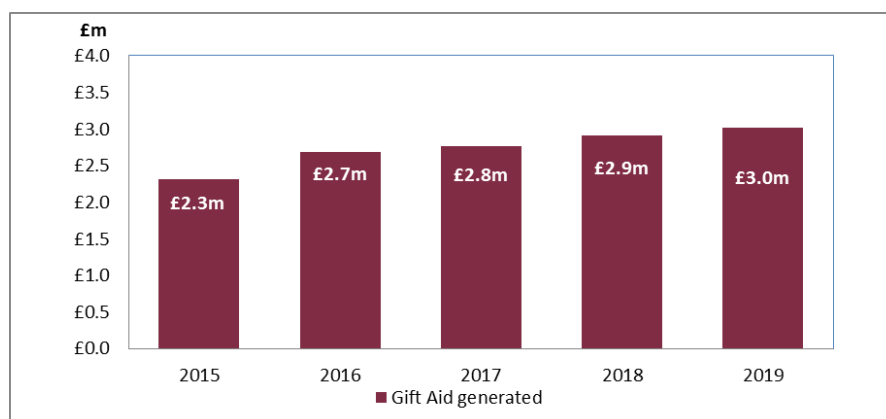
- Commercial activities operating surplus**

In the Group's factoring and private letting activities, delivered by YourPlace Property Management and Lowther Homes, combined turnover grew to £24.5m up from £22.5m in 2018. Operating margin across both businesses, before valuation movements and grant income, was 23% up from 20% in the previous year as growth in private letting activities was managed while maintaining a stable overhead cost base.



- Gift aid generated**

The profits generated by the Group's commercial factoring and letting businesses are donated back to support the wider charitable work of the Group delivered by Wheatley Foundation. In line with the growing operating surplus, and after financing costs, the commercial businesses made gift aid payments totalling just over £3.0m to Wheatley Foundation in 2018/19. The support from the commercial businesses to the charitable activities of the Group has grown from £2.3m in 2014/15.



STRATEGIC REPORT (continued)

TREASURY MANAGEMENT

Long term debt facilities

As at 31 March 2019, Wheatley Group had £1,615.7m of bond and bank funding facilities in place with total Group drawn debt balances of £1,194.8m.

The debt facilities of GHA, Cube, West Lothian Housing Partnership, Loretto Housing, Dunedin Canmore and Barony were provided through intra-Group arrangements with our RSL Group treasury vehicle, Wheatley Funding No.1 Ltd ("WFL1"). The funding facilities of WFL1 consisted of bank facilities from a syndicate of three commercial lenders, as well as a European Investment Bank loan facility, a committed facility with HSBC, private note placements with BlackRock and bond funding raised on the debt capital markets. These loans are secured on property assets of these RSLs through a security trust structure.

In addition to group funding through WFL1, Dunedin Canmore Housing ("DCH") has a £16.5m direct loan from The Housing Finance Corporation ("THFC") secured on DCH property assets and a £16.0m unsecured loan from Allia Social Impact Finance Limited.

Cube had a £5.0m bilateral unsecured loan facility with the Scottish Partnership for Regeneration of Urban Centres ("SPRUCE"), which was fully repaid during the course of the financial year.

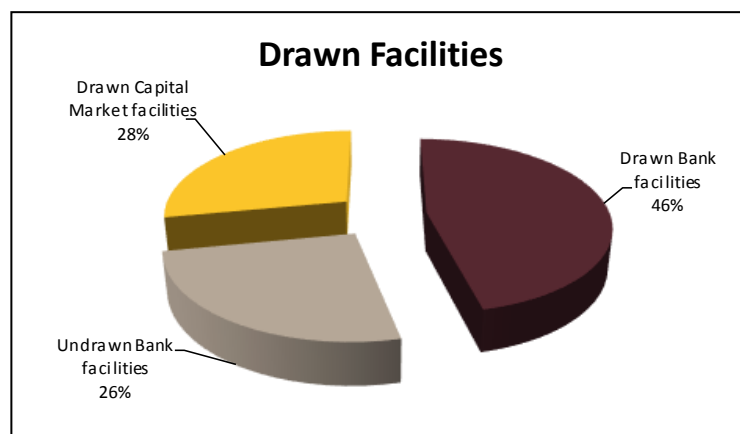
Wheatley Funding No.2 Ltd ("WFL2") is the funding vehicle for the commercial side of the Wheatley Group. During the course of this financial year, £76.5m facilities were arranged with Scottish Widows to refinance existing facilities and to acquire properties for mid market rent.

The funding facilities in place on 31 March 2019 comprised the following:

<u>Group Co</u>	<u>Facility</u>	<u>Principal</u>
WGC plc	Public bond - issued 2014/15	£300.0m
WFL1	Private Placement loan notes - issued 2017/18	£100.0m
WFL1	Private Placement loan notes - issued 2018/19	£50.0m
WFL1	HSBC facility	£100.0m
WFL1	Commercial bank syndicated facility	£662.4m
WFL1	European Investment Bank facility	£285.3m
DCH	THFC facilities	£16.5m
DCH	Allia (unsecured) loan	£25.0m
WFL2	Private rented sector bank facilities	£76.5m
		£1,615.7m

STRATEGIC REPORT (continued)

Group RSLs had drawn £1,087.6m from WFL1 at 31 March 2019. DCH's direct loans were drawn at £16.5m from THFC and £16.0m from Allia. In WFL 2, Lowther Homes had fully drawn the £76.5m facility.



As at 31 March 2019, 26% (£411.9m) of borrowing facilities were undrawn (2018: 17%, £235m).

The weighted average duration of drawn debt across the Group is 19.45 years. Under the Group Treasury Management Policy, the Group structures its business

plan and future fundraising activities such that it will not have to refinance material amounts of debt in any one year. None of the Group's loan facilities need to be refinanced over the short term. The next point of significant refinancing risk for WFL1 will arise in 2022/23 in relation to £65m of revolving credit facilities with the commercial banking syndicate. The historic weighted average cost of drawn debt, inclusive of margins and hedging activities, was 4.75% at 31 March 2019 on an annual effective rate basis (2018: 5.05%). The reduction in the weighted average rate is due to new funding arranged in the year at lower rates and debt moving to variable rates during the course of the year, in line with legacy hedge arrangements.

Asset value (for debt security purposes) was £1.9bn at 31 March 2019, with £245m (11%) of assets being unencumbered.

The principal cash outflows were operating costs and investment in assets, particularly in development of new housing stock of £117.8m (2018: £113.9m) and investment in existing stock of £65.7m (2018: £69.5m).

Counterparty risk

The notional pooling of surplus cash across RSLs is used to enhance the Group's ability to earn interest on cash balances. Cash balances are held in accounts that earn interest and minimise balances held in zero interest accounts.

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure as the result of counterparty to any treasury transaction becoming insolvent. As at 31 March 2019, all cash investments are held with counterparties who meet the criteria of the Group Treasury Management Policy.

STRATEGIC REPORT (continued)

Interest rate risk

The Group's Treasury Management Policy sets out an on-going objective in relation to the proportion of fixed versus floating rate debt, with the target proportion in the policy specified at 70% across the term of the debt. At 31 March 2019, 94% of Group borrowings were at fixed rates increasing from 86% at 31 March 2018. This was due to new funding arrangements in place at fixed rates (£50m private placement notes and WFL2 borrowing of £76.5m from Bank of Scotland / Scottish Widows) and £91m of drawn debt moving from variable rates to fixed, in line with legacy hedge arrangements.

In respect of bank loans, the Group hedges against interest rate risk through the use of embedded hedges within its bank facilities, the terms of which permit these loans to be classified as "basic" financial instruments under FRS 102.

No margin call clauses existed in any loan or derivative contracts entered into by Group entities.

Currency risk

The Group borrows and invests surplus cash only in sterling and does not have any foreign currency risk.

Loan covenant compliance

Loan covenants relate to interest cover, borrowing levels relative to surplus generation and per unit, and asset cover, based on social housing asset values. Covenants are monitored monthly and were comfortably met throughout the year and at the year-end for all loan facilities.

On behalf of the Board

Alastair MacNish OBE, Chair
30 August 2019

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2019.

Result for the year

The result for the year and an analysis of the performance of the Group has been included within the Strategic Report.

Wheatley Board, Committee structure and related matters

Wheatley Housing Group ("the company") is the parent company of the Group which comprises a range of subsidiaries, referred hereafter as 'partners'. Our partners include: six Registered Social Landlords; three commercial subsidiaries; and a 50:50 joint venture with Glasgow City Council - City Building (Glasgow) LLP.

All members of the Group work collaboratively to ensure that each member can achieve more for their customers and communities through being part of the Group than they could on their own.

The Group is regulated by the Scottish Housing Regulator ("SHR") and complies with the SHR's Regulatory Framework and Regulatory Standards of Governance.

As at 31 March 2019, the company's Articles of Association allowed for the appointment of up to fifteen directors as follows:

- Up to nine Independent Non-Executive Directors
- Up to six subsidiary Chair Board Directors
- Up to two Co-opted Directors
- Up to one 'Other' Director

The Directors of the Group Board who served for some or all of the period from the start of the financial year to the date of signing the financial statements are listed below, together with any Group Committees served on at any point over the same period:

DIRECTORS' REPORT (continued)



Alastair MacNish OBE
Group Chair (Non-Executive Director)

Appointment

Alastair joined the Wheatley Group Board on 17 September 2012 and has been Chair since 31 March 2015.

Experience

A qualified accountant, he spent his career in local government, initially in finance and latterly serving five years as the Chief Executive of South Lanarkshire Council – Scotland's third largest local authority at the time.

Alastair is a former Chairman of the Accounts Commission and Audit Scotland, the public spending watchdog for local government. He has advised the Scottish Government on a wide range of issues, including chairing the Leadership Advisory Panel on Local Government Leadership Capacity and providing expert evidence to the Parliament Committees on budget setting. He also chaired Greenock Medical Aid Society and The Royal Caledonian Curling Club, as well as being a director of the Scottish Curling Trust and Board director of British Curling.

Directorships and Committee memberships

Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee (Chair)
Wheatley Group Strategic Development Committee (Chair)
Wheatley Enterprises Limited (Non Executive Director)



Sheila Gunn
Group Vice Chair (Non Executive Director)

Appointment

Sheila joined the Wheatley Group Board on 6 November 2012 and was appointed Vice Chair on 28 October 2015.

Experience

A qualified solicitor, holding a LLB (Hons) from the University of Glasgow, Sheila worked in legal private practice for 23 years as a partner and Head of Employment at leading Scottish legal firm Shepherd & Wedderburn.

After leaving private practice to pursue a management career in industry, Sheila has a wide range of experience in regulation and corporate governance having held a wide range of Non-Executive Directorships, advisory roles and Committee memberships. She currently holds a number of Non-Executive roles across a range of sectors including as a member of the Accounts Commission, a member of the PhoenixLife and Standard Life Independent Governance Committees, a member of the ICAS Ethics Board and a trustee of the Chartered Banker Institute.

Directorships and Committee memberships

Wheatley Group Audit Committee
Wheatley Group Remuneration, Appointments, Appraisals and Governance Committee
Wheatley Group Strategic Development Committee
Wheatley Solutions Limited (Chair)
Lowther Homes Limited (Non Executive Director)
YourPlace Property Management (Non Executive Director)
Wheatley Enterprises Limited (Non Executive Director)



Jo Armstrong
Non Executive Director

Appointment

Jo joined the Wheatley Group Board on 24 June 2015.

Experience

An independent business economist with an extensive professional career spanning financial services (in both London and Edinburgh), oil and gas and the Scottish civil service. Currently, Jo has been appointed a Member of the Water Industry Commission for Scotland (Scotland's independent economic water regulator); is the Economist in OFGEM's Expert Panel for its Low Carbon Innovation Fund; and, is a Non-Executive Director of Social Investment Scotland (the charity and social enterprise that provides loans to social enterprises across Scotland). Previously Jo was the Budget Advisor to the Scottish Parliament's Economy, Energy and Tourism Committee and the Local Government Committee. Jo is an Honorary Professor of Public Policy at the Adam Smith Business School at Glasgow University; a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts. She holds two degrees in economics from the University of Strathclyde.

Group Boards and Committees

Group Audit Committee
Group Strategic Development Committee

DIRECTORS' REPORT (continued)



Martin Armstrong
Director

Martin joined the Wheatley Group Board on 17 September 2012.

Experience

Martin is widely regarded as one of the foremost figures within affordable housing and the wider public sector. Under his leadership, Wheatley has established a formidable track record and reputation across the UK and in Europe as a leading housing, care and property-management group. Wheatley – which owns or manages almost 80,000 homes – has grown to encompass six Registered Social Landlords, three commercial subsidiaries, an award-winning care organisation and a charitable foundation. His housing career, spanning more than 25 years and covering the length and breadth of England and Scotland, has been marked by a string of national and international awards and accreditations. These include the European Foundation for Quality Management's UK Award for Leadership and Quality Scotland's Leadership Award. In March 2018, Martin was named as Director of the Year in the large business category by The Institute of Directors Scotland. In 2014, he led Wheatley's £300 million debut bond issue on the capital markets.

Directorships and Committee memberships

Wheatley Enterprises Limited (Director)



Bernadette Hewitt
Subsidiary Chair Director

Appointment

Bernadette joined the Wheatley Board on 25 October 2016.

Experience

Bernadette joined the GHA Board in May 2014 and was elected Chair in October 2016. She has extensive experience of community engagement, community development and social enterprises and has previously been a member of the Glasgow Community Planning Partnership Strategic Partnership Board as well as Chair of the GHA North East Area Committee.

Bernadette currently holds directorships of the Barmulloch Community Development Company and the strategic partnership between Glasgow City Council, the Scottish Government and GHA - Transforming Communities Glasgow

Directorships and Committee memberships

GHA Board (Chair)
Group Audit Committee
Group Remuneration, Appointments, Appraisals and Governance Committee
Group Strategic Development Committee
Wheatley Solutions (Non-Executive Director)
Wheatley Enterprises Limited (Non-Executive Director)



James Muir
Subsidiary Chair Director

Appointment

James was co-opted to the Wheatley Group Board on 16 December 2015.

Experience

James is a Chartered Accountant and experienced business leader with over 25 years' experience in financial, operational and strategic roles across a range of sectors including utilities, health, financial and outsourcing services. He is currently the Commercial Director at V.Group, a leading independent provider of global marine services. He previously held roles within the V.Group as Business Development Director, Operations Director and Financial Controller.

Directorships and Committee memberships

Loretto Care (Chair)

DIRECTORS' REPORT (continued)



John Hill
Subsidiary Chair Director

Appointment

John joined the Wheatley Board on 16 December 2015.

Experience

A qualified accountant, John retired having been Depute Chief Executive of West Lothian Council. He has significant experience at executive and senior management level in local government, including senior roles leading the council's operational services; housing, construction and building services; Direct Labour Organisation, and business services.

John has experience in Non-Executive and Board roles, including having served on the Improvement Service PSIF Board, Chairing West Lothian Recycling Ltd and as Scottish Secretary of the Association for Public Service Excellence.

Directorships and Committee memberships

West Lothian Housing Partnership Limited Board (Chair)
City Building (Glasgow) LLP (Wheatley appointee)



Peter Kelly
Subsidiary Chair Director

Appointment

Peter joined the Wheatley Board on 1 May 2016.

Experience

Peter is a Banking Partner at Scotland's largest law firm, Brodies LLP, and holds both a LLB (Hons) and BAcc from the University of Glasgow. He acts for lenders and borrowers in leveraged, real estate and corporate finance transactions. Peter also specialises in healthcare, renewables and third sector deals and is recognised as a ranked individual for Banking and Finance by Chambers & Partners.

Peter also has significant experience in the care sector, having served as a Non-Executive Director with the Balhousie Group and as Company Secretary of a nursing home.

Directorships and Committee memberships

Group Audit Committee
Cube Housing Association Limited Board (Chair)



Professor Paddy Gray
Non Executive Director

Appointment

Joined the Wheatley Board on 26 April 2017.

Experience

Paddy is one of the UK housing sector's most eminent figures. He is Professor Emeritus of Housing at the University of Ulster. In 2017, he was named the top "Power Player" in the UK housing sector by 24 Housing magazine.

Paddy is regarded as an authority on housing strategy and social policy, nationally and internationally, having served on advisory groups for the Northern Ireland Executive, UK Government and Northern Ireland Assembly. He has had more than 300 research papers on housing-related issues published and regularly contributes to international conferences and seminars.

Professor Gray is also an external examiner for housing degrees at several universities, including the University of Hong Kong. In 2010, he became the first Irish President of the UK Chartered Institute of Housing, having previously served as Vice President and Treasurer.

Directorships and Committee memberships

The Glasgow Housing Association (Parent Appointee)

DIRECTORS' REPORT (continued)



Martin Kelso
Subsidiary Chair Director

Appointment

Martin was appointed to the Wheatley Board on 1 June 2016.

Experience

A Chartered Accountant, also holding a MBA from Cranfield University, he has substantial senior experience in financial, general and change management roles. He has led successful programmes involving new business start-ups, merger and integration, business disposals rectification of control failures across a range of roles including as Interim Strategic Finance Director of Virgin Money, Finance Director of Intelligent Finance (HBOS) and commercial lending and finance roles at Halifax.

Martin currently provides expert financial and change management consultancy services across a range of sectors and is a volunteer with the Citizens Advice Bureau.

Group Boards and Committees

Group Audit Committee
Barony Housing Association Limited (Chair)



Mike Blyth
Non Executive Director

Appointment

Mike joined the Wheatley Board on 17 September 2012.

Experience

Mike, who holds a BSc from the University of St Andrews, is a Chartered Accountant. He was a partner for 30 years in RSM (formerly Baker Tilly) where he held a number of senior management positions both locally and nationally. In addition, he headed up the not-forprofit group in the west of Scotland and, as such, provided audit and advisory services to a wide range of Registered Social Landlords the length and breadth of Scotland.

Mike has significant experience in Non-Executive roles, is a past Vice Chair of Erskine, member of the GHA Board and currently holds an appointment as a Non-Executive Director and Audit Committee Chair at Anglo Pacific Group plc, where he was previously the Chairman.

Directorships and Committee memberships

Group Audit Committee (Chair)
Group Remuneration, Appointments, Appraisals and Governance Committee
Group Strategic Development Committee
Wheatley Group Capital PLC (Non-Executive Director)
Wheatley Funding No1 Limited
Wheatley Funding No2 Limited



Ronnie Jacobs
Non Executive Director

Appointment

Ronnie joined the Wheatley Board on 17 September 2012.

Experience

Ronnie is a qualified surveyor and has over 30 years' experience in the private housing sector, in particular new build development. He has held a number of senior positions in the private housing sector, including Managing Director of Persimmon Homes and Miller Homes in Scotland and he recently retired as Scottish Regional Chairman of Miller Homes.

Ronnie has advised the Scottish Government on housing as part of the Housing Supply Task Force and has served on the Board of Homes For Scotland. He currently undertakes a range of advisory work on development and acquisitions

Directorships and Committee memberships

Lowther Homes Limited (Chair)
City Building (Glasgow) LLP (Wheatley appointee)

DIRECTORS' REPORT (continued)



Mary Mulligan
Subsidiary Chair Director

Appointment

Mary joined the Wheatley Group Board on 25 October 2017.

Experience

Mary is a former Member of the Scottish Parliament, where she was Deputy Minister for Health and Community Care and Shadow Minister for Housing and Communities. For almost 25 years she has taken an interest in, and played a part in, developing housing policy.

She has worked in both the public and private sectors and has built good working relationships with partners in all sectors, including the voluntary sector.

Mary currently works in the third sector and was previously a Non Executive Director of the Wheatley Foundation.

Directorships and Committee memberships

Dunedin Canmore Housing Limited (Chair)



Jo Boaden
Non Executive Director

Appointment

Jo joined the Wheatley Group Board on 17 December 2018..

Experience

Jo started her career as an Environmental Health Officer in Glasgow and has since held a number of senior roles in housing, regeneration and social policy across the UK in both the public and private sectors. Jo is currently the Chief Executive of the Northern Housing Consortium, a well-respected membership organisation for housing providers across the North of England. She also Chairs Your Homes Newcastle, an arms length management organisation responsible for managing council homes on behalf of Newcastle City Council. She recently won the prestigious Woman of the Year title at the 2018 Women in Housing Awards. Jo was awarded a CBE for services to housing in 2018 and holds a LLB (Hons) and MBA.



Bryan Duncan
Non Executive Director

Appointment

Byran was appointed to the Wheatley Group Board on 17 January 2019

Experience

A Chartered Surveyor, he has spent more than 35 years specialising in commercial and residential property investment, development and asset management. Bryan's was an equity partner at Donaldsons LLP, a senior director at DTZ and is currently the founder/owner of Henry Duncan, a niche commercial and residential property investor, developer and financier. He also has a wide range of non-executive experience and currently serves as a Non-Executive Director of the Abernethy Trust Ltd, Hope for Glasgow Ltd, Cornhill Scotland and the London City Mission. Bryan holds an Executive MBA and Diploma in Management Studies.

Directorships and Committee memberships

Lowther Homes Limited (Non-Executive Director)

DIRECTORS' REPORT (continued)



Angela Mitchell
Non Executive Director

Appointment

Angela was appointed to the Wheatley Group Board on 3 May 2019

Experience

Angela joined the Wheatley Group Board in May 2019. A technology specialist, Angela is passionate about applying digital and IT to improve business outcomes. She has been a partner at Deloitte since 2010 where she oversees their public sector technology business across the UK as well as leading the Scottish public sector practice. Angela has over 23 years' experience in IT, digital consulting and in delivering transformation programmes. She has a strong track record in leading complex projects for clients across the public sector, including government, health and policing. For the last 10 years, Angela has sponsored Deloitte's Technology Women's Network which supports women to continue their careers in technology and encourages girls from school age to consider careers in STEM. She is also a member of the CBI's Women in Technology Group. Angela holds a BSc Hons (First class) in Laser Physics and Optoelectronics and a MSc in Business Information Technology Systems.

Directorships and Committee memberships

Group Audit Committee



Elizabeth Walford
Non Executive Director

Appointment

Elizabeth was appointed to the Wheatley Group Board on 17 December 2012 and retired from the Board on 26 September 2018

Experience

Liz, who holds a MA (Cantab) from the University of Cambridge, has held a number of executive positions within the housing sector in England. She retired as the Group Chief Executive of Walsall Housing Group in 2009 following five years in the post. Liz has extensive experience of business transformation and change, having supported significant change programmes and provided expert governance advice and support as a regulatory appointee on a number of housing provider Boards.

Directorships and Committee memberships

YourPlace Property Management Limited (Chair)
Lowther Homes Limited (Non Executive Director)



Kate Willis
Co-opted Director

Appointment

Kate was appointed to the Wheatley Group Board on 29 October 2014 and retired from the Board on 26 September 2018

Experience

A GHA tenant, Kate has significant experience in community development, capacity building and regeneration. Her contribution to her community was recognised in 2010 when she won the 'Inspirational Board Member of the Year' at the 2010 Housing Heroes Awards, by Inside Housing and the Chartered Institute of Housing. Kate works for the Castlemilk Timebank.

Kate is a Board member of Glasgow Housing Association Limited and Chairs its North West and South Area Committees and is a director of Scotcash. She holds an appointment as a director of the Castlemilk and Carmunnock Community Windpark Trust.

DIRECTORS' REPORT (continued)

Attendance at meetings

Name	Group Board	Group Audit Committee	Group Remuneration, Appointments, Appraisals and Governance Committee	Group Strategic Development Committee
Alastair MacNish	6/6	-	6/6	2/2
Sheila Gunn	6/6	3/4	6/6	2/2
Martin Armstrong	6/6	-	-	-
Jo Armstrong	5/6	3/4	-	2/2
Bernadette Hewitt	5/6	3/4	5/6	2/2
James Muir	5/6	-	-	-
John Hill	5/6	-	-	-
Peter Kelly	5/6	3/4	-	-
Professor Paddy Gray	5/6	-	-	-
Martin Kelso	6/6	4/4	-	2/2
Mike Blyth	5/6	4/4	5/6	2/2
Ronnie Jacobs	4/6	-	-	-
Mary Mulligan	5/6	-	-	-
Jo Boaden	1/1	-	-	-
Bryan Duncan	1/1	-	-	-
Angela Mitchell	n/a	-	-	-
Liz Walford	3/3	2/2	-	2/2
Kate Willis	3/3	-	-	-

The Group Board is responsible for the strategic direction of the Group and financial planning. Key responsibilities are:

- approval of the Group strategy;
- approval of the Group Business Plan, budget and any variations and amendments to them, together with other matters which fall within the role of the Group Board;
- approval of the creation of new subsidiaries and partnerships;
- approval of the Group governance arrangements, systems of internal control and delegations and identification of risk;
- defining and ensuring compliance with our values and objectives as a registered social landlord; and
- approving each year's Group financial statements.

The main activities of the Group Board during the year were:

- agreeing the process for developing our next 5 year strategy and initiating the development of a new 5 year strategy;
- approval of the Group business plan and budget, including comprehensive stress testing of the business plan ;
- agreeing the strategic governance review implementation plan;
- raising additional finance from the capital markets;

DIRECTORS' REPORT (continued)

- commissioning international research on future Models of Engagement, launched by the Housing Minister;
- approving new strategies and policy frameworks in core business areas;
- approval of large scale new build developments; and
- oversight of partner financial and operational performance.

The Board is supported in discharging its duties by three sub-Committees: Remuneration, Appointments, Appraisal & Governance; Group Audit; and Group Strategic Development.

The role and remit of the Committees are set out below:

Group Audit Committee

The Committee is made up of up to seven members from the Group Board and co-opted members. The Committee is responsible for:

- reviewing the Group's system of internal control, compliance assurance and risk management;
- providing an overview of the internal and external audit functions;
- scrutinising the financial statements;
- appointing and agreeing the remuneration of the external auditor;
- monitoring the implementation of internal audit recommendations;
- reviewing internal audit reports and external audit reports and management letters, and monitoring the implementation of audit recommendations arising therefrom;
- reviewing the internal audit plan and scope of work; and
- reviewing the effectiveness of the overall risk strategy.

The main activities of the Group Audit Committee during the year were:

- Overseeing the 2018/19 financial statements;
- Reviewing key accounting judgements and estimates;
- Approving the Group's strategic assurance plan;
- Reviewing the Group's assurance related policies;
- Reviewing the Group's strategic risk register and making recommendations to the Board on changes to risk profile and mitigations;
- Overseeing the Group's preparations for the General Data Protection Regulations; and
- Reviewing the Head of Internal Audit's independence

The Committee reports to the Group Board via its Chair.

Group Remuneration, Appointments, Appraisals and Governance Committee

The Committee is made up of up to five members inclusive of the Group Chair, Vice-Chair, and the Chairs of GHA and the Group Audit Committee.

It is responsible for:

- approving the process for recruitment, selection, succession planning and appraisal of Board members;
- ensuring Board members within the Group have the necessary balance of skills and experience to fulfil their roles;
- evaluation and review of Group's governance framework;
- making recommendations to the Group Board regarding the appointment and remuneration of the Group Chief Executive and Group Board Directors; and
- Succession planning arrangements across the Group.

DIRECTORS' REPORT (continued)

The main activities of the Remuneration, Appointments, Appraisals and Governance Committee during the year were:

- oversight of the strategic governance review on behalf of the Board;
- development of recommendations to the Board in respect of the Group's succession planning arrangements;
- review of the Group's approach to Board appraisal;
- oversight of the Group's Board member recruitment and approval of all appointments to subsidiary Boards, and
- annual review of the remuneration and conditions of the Group Chief Executive

The Committee reports to the main Board via its Chair.

Group Strategic Development Committee

The Committee is made up of up to seven members of the Group Board.

It is responsible for reviewing any new major strategic projects and initiatives on behalf of the Group Board.

The main activity of the Strategic Development Committee during the year was the raising of finance via bank and capital market activities.

The Committee reports to the Group Board via its Chair.

DIRECTORS' REPORT (continued)

Executive Team

The Executive Team provide day to day leadership of the Group and are responsible for the implementation of the strategic direction and financial planning on behalf of the Board.



Martin Armstrong
Group Chief Executive

Martin sits on the Board of Wheatley Housing Group and also leads the Group's Executive team



Tom Barclay
Group Director Property and Development

Tom was previously chief executive of Clyde Valley Group ("CVG") in Lanarkshire, one of Scotland's largest affordable housing developers. Co-chair of the Scottish Government's Joint Housing Policy and Delivery Group, he led CVG to number five on the Sunday Times' Top 100 Companies in the UK to Work For and Best Companies' three-star employee engagement status. A chartered quantity surveyor, he has extensive experience in project management, change management and organisational development. Tom, who has a MBA, is a former Scotland Chairman of the Royal Institute of Chartered Surveyors (RICS) and is Scotland representative on the RICS Global Board.



Olga Clayton
Group Director of Housing and Care

Olga joined Wheatley Housing Group in September 2013, and has over 25 years' experience in Scottish social housing. As Head of Housing at North Ayrshire Council, Olga led the transformation of the service achieving an 'A' rating from the Scottish Housing Regulator, winning Quality Scotland's top award for Business Excellence and achieving COSLA's Gold award for innovation in services. Olga also has substantial experience of developing partnerships and delivering services in the care sector.



Steven Henderson
Group Director of Finance

Steven Henderson joined Wheatley as Director of Finance in August 2013. He previously worked for the European Investment Bank in Luxembourg. An experienced Chartered Accountant, Steven has specialised in housing and regeneration finance throughout his career. He worked for PricewaterhouseCoopers in Glasgow and also held a senior position with Ernst & Young before moving to the European Investment Bank, where he was responsible for investment of £250 million of EU Structural Funds, as well as lending activity for the Bank in the social housing and water sectors in the UK.



Graham Isdale
Group Director of Corporate Affairs

A former UK Board director of one of the world's largest communications companies, Graham joined Glasgow Housing Association in 2009. He was previously instrumental in building two of the biggest independent PR consultancies in the UK and has handled major crisis, issues-management and communications assignments for multi-nationals all over the world, as well as FTSE 100 companies and Government departments and agencies. Graham is also a former regional newspaper editor.



Elaine Melrose
Group Director of Resources

Elaine joined Wheatley Housing Group in September 2013 from West Dunbartonshire Council where she was an Executive Director for Housing, Environmental and Economic Development. Elaine has wide strategic experience in everything from regeneration and community planning to infrastructure investments and has led key improvement activity in organisation culture and improving competitiveness.

DIRECTORS' REPORT (continued)

Statement on Internal Financial Controls

1. Corporate Governance Statement

The Group complies with the Regulatory Standards of Governance and Financial Management issued by the Scottish Housing Regulator. In accordance with the UK Listing Authority's Listing Rule 17, details of the administrative, management and supervisory bodies which govern the Group, including Wheatley Group Capital plc, are set out on pages 27 to 37.

The internal control and risk management systems which cover the Group's consolidated annual financial statements are set out below.

2. Background and responsibility

The system of internal financial controls is designed to manage risk to a reasonable level (which is managed to within agreed levels of risk appetite) rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is designed to:

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised;
- manage them efficiently, effectively and economically;
- safeguard assets against unauthorised use or disposition; and
- manage the maintenance of proper accounting records.

3. Overview of main features of the system of Internal Financial Control

The Board of Wheatley Housing Group is responsible for ensuring that an effective system of internal financial control is maintained within all members of the Group. This system of internal financial control can provide reasonable but not absolute assurance against material misstatement or loss.

The key methods by which the Board establishes the framework for providing effective internal financial control are as follows:

- corporate Governance arrangements as outlined in the Corporate Governance Statement;
- regular meetings of the Board, and Subsidiary Boards, which have a schedule of matters that are specifically reserved for approval and are the subject of regular standard reports as required;
- arrangements under terms of reference for the Group Audit Committee to meet regularly and receive reports from management and internal and external auditors on the system of internal control in operation across the Group, and to oversee arrangements for provision of reasonable assurance that control procedures are in place and are being followed;
- written policies and procedures including Standing Orders setting out delegated authorities across Group Subsidiaries;
- an organisational structure to support business processes and with clear lines of responsibility;
- the employment of suitably qualified and experienced staff to take responsibility for key areas of the business. This is supported by a formal personal development programme;

DIRECTORS' REPORT (continued)

- an Internal Audit function with an annual Internal Audit Plan and producing an annual Internal Audit Report Opinion;
- adoption of a risk-based approach to internal control through evaluating the likelihood and impact of identified corporate risks, vesting responsibility for risk management and internal control with designated owners and with an ongoing process of monitoring and reporting progress against the company's key risks established through the corporate risk management framework;
- a Business Plan and Budget supporting strategic and operational plans, financial targets, regularly revised forecasts, a comparison of actual with budget and with forecast on a quarterly basis, operating cash flow and variance statements, and key performance indicators, all of which are reviewed by the Board; and
- measurement of financial and other performance against the Delivery Plan objectives and key performance indicators and targets.

4. Role of Internal Audit

The Internal Audit function has a pivotal role in the process of developing this Statement of Internal Financial Controls. As part of Internal Audit work, reviews are directed using a risk-based approach to assess the robustness of the implementation of the Group's key systems of internal control.

Internal Audit provides information on the various strengths and weaknesses on the approach the Group has adopted, and provides recommendations where improvements are necessary and desirable for good governance and effective risk management. Management across the Group is responsible for the implementation of improvements and agreed actions identified from Internal Audit activity.

In line with good practice, Internal Audit provides the Audit Committee and the Board with an Annual Internal Audit Report and Statement, which summarises all the work completed during the year. The overall Internal Audit opinion provided in the 2018/19 statement is detailed below:

“Based on our Group wide work undertaken in 2018/19 a substantial level of assurance can be given that there is a sound system of internal control, designed to support achievement of relevant organisational objectives. However, some weaknesses in the design and / or consistent application of controls exist. Management has agreed to the improvements to the control environment and the progress of implementing these additional controls will be reported to the Group Audit Committee.”

5. Risk and Control Framework

Wheatley Housing Group recognises the importance of effective identification, evaluation and management of all key strategic and operational risks, and this is a requirement set out by the Scottish Housing Regulator's Regulatory Standards.

“The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.”

Risk management is a key element of the Group's overarching governance arrangements as it demonstrates that the Group has considered those areas which put the achievement of its strategic objectives under threat, that it has analysed the consequences of things going wrong and

DIRECTORS' REPORT (continued)

identified the actions and controls needed to prevent or limit these consequences; in accordance with agreed levels of risk appetite.

As the parent company, Wheatley Housing Group oversees the governance arrangements to address the risks associated with control of activities, and managing the risks, of all subsidiaries; to ensure that there is an appropriate use of funds across the Group; to ensure that risks to the core business of the Group are managed and mitigated to within tolerance and that strong governance arrangements are upheld by all subsidiaries to protect the reputation of the Group.

Risk Management covers the whole spectrum of risks and not just those associated with finance, health and safety, business continuity and insurance. It also includes risks associated with service provision, effectiveness and continuity, public image (reputation), compliance with legislation and regulation and environment.

Roles and Responsibilities

Risk Management is the responsibility of everyone in the organisation, whether or not they have a formally defined role in the process.

To ensure the successful implementation of the Risk Management Policy and Strategy, clear roles and responsibilities for the Risk Management process have been established. The Board has overall responsibility for ensuring the effectiveness of this framework. The Board also agrees risk appetite levels that are embedded within strategic risk registers and used to determine the Group's approach to managing risk.

The Executive Team is the facilitator of the Risk Management Framework and processes. Its role is to ensure that Departmental Managers comply with the Risk Management Framework including monitoring of the risk registers on Pentana, which is the Group's risk and performance management system. This ensures that Departmental Managers keep their risk registers up to date, new and emerging risks are identified and risk scores are challenged.

Risk Management forms an integral part of the culture and the way the Group is run. Risk Management plans are incorporated and embedded into business plans of all applicable sections of the organisation (e.g. service improvement plans, project plans, team plans, individual plans). In this way, Risk Management is not the responsibility of senior management alone, but more appropriately the responsibility of all colleagues.

DIRECTORS' REPORT (continued)

Principal risks facing the Group

The most significant financial and operational risks facing the Group and key mitigations are summarised below:

Risk	Mitigation
Brexit	<ul style="list-style-type: none"> Traditional housing and care group with no new build for open market sale plans – minimal exposure to housing market implications of Brexit Low risk business model - well placed to raise private finance to support ongoing development as necessary Contingency funding plans in place in case of risks to future EIB loan drawdowns Stakeholder management framework in place to respond to changes
Rent increase assumptions in business plan	<ul style="list-style-type: none"> Scottish Government has confirmed HAs will continue to set their own rents Significantly lower rent levels than England Discretionary expenditure exists outside core housing stock management/ maintenance (e.g. community investment funds, environmental works could be reduced/deferred)
Universal Credit	<ul style="list-style-type: none"> “Scottish Flexibilities” provide choice of monthly or twice monthly payments and allow direct payment of housing costs to landlord Trusted Partner status with DWP – so auto-reversion to direct payment if 6 weeks of arrears Significant support to customers <ul style="list-style-type: none"> one-on-one support to use online DWP portal for affected customers “My Money” financial support project through the Wheatley Foundation (assisting 460 people to date with budgeting) High housing officer to tenant ratio Establishment of a dedicated in-house team to support all subsidiaries on regulations and policy/operational changes
Fire safety	<ul style="list-style-type: none"> Detailed surveys and Scottish Fire and Rescue Service block inspection reports Fire prevention visits carried out by Wheatley 360 Daily fire safety checks and maintenance regime in place Fire door replacement programme Contingencies identified to fund any works required as a result of new regulations
Implementation of City Building joint venture for repairs and core stock investment	<ul style="list-style-type: none"> Joint venture monthly performance reporting embedded into Group reporting framework Secondment of staff teams to ensure integrated working practices with City Building team Regular HR updates to monitor staff satisfaction and operational issues New local operating model to better respond to customer demand Project to implement improved call handling approach underway
Business continuity including cyber security	<ul style="list-style-type: none"> Business continuity implementation Group collates, reviews and updates disaster recovery and business continuity plans Annual testing of plans – demonstrated to work highly effectively during snow incident in March 2018 IT Cyber security live tests undertaken and results reported Group Board. Staff training rolled out.
Delivery of development programme	<ul style="list-style-type: none"> Social housing and mid market rent programmes are supported by committed Scottish Government grant Strategic Agreements with local authority partners, including land supply/sites Experienced development team with expert knowledge of local markets Bespoke programme management software developed – unique in UK Proactive monitoring of supply chains and financial stability of suppliers
Gearing and liquidity	<ul style="list-style-type: none"> Significant undrawn borrowing facilities in place No refinancing risk in the short-medium term and strong covenant headroom Low debt per unit (c£22k) Regular updates with lenders on business performance and ongoing relationship with credit referencing agencies.

DIRECTORS' REPORT (continued)

Principal risks facing the Group (continued)

Risk	Mitigation
Information and communications technology	<ul style="list-style-type: none"> An agreed Group IT and digital strategy is in place. New infrastructure projects delivered (eg <i>GoMobile</i>, <i>MyHousing</i>, new Group and subsidiary websites). Progress on delivery of the IT strategy monitored at Board level.
Care support services	<ul style="list-style-type: none"> Clear governance and authorising environment in place. Care assurance framework in place to monitor compliance with policies and procedures. Close monitoring of changeover in service users and focus on redeployment of resources and improvements to help retention of users.
Implementation of customer experience strategy	<ul style="list-style-type: none"> Strategic Policy and Development team in place and responsible for customer insight research. Data drawn from internal and external sources to provide a broad view of customer segmentation. Implementation of the strategy monitored by senior management.
Governance structure	<ul style="list-style-type: none"> Governance arrangements regularly reviewed by external consultants, internal and external audit functions. Focus on skills balance and development of senior management and Board members. Appropriate training initiatives in place, tailored in particular to tenant Board members.
Failure to achieve planned growth in commercial operations	<ul style="list-style-type: none"> Robust monitoring arrangements in place to appraise the operational performance and delivery of strategic objectives. Responsibility and accountability allocated at an appropriate level within the organisation and reported regularly to senior management and Board.
Failure to recruit, develop, retain staff and succession planning	<ul style="list-style-type: none"> Performance appraisal system in place for all staff. <i>MyAcademy</i> provides in-house training across the Group. Training logs held for each staff member and completed as part of regular discussions. Wheatley leadership development programme, succession planning and talent management programmes in place. New graduate scheme, <i>Ignite</i>. Regular surveys of staff satisfaction undertaken.
Compliance with laws and regulation	<ul style="list-style-type: none"> Appropriate professional advice is sought in response to changes internally, externally and in relation to new offerings to customers. Group wide Scottish Housing Charter Assurance process being established by Tenant Scrutiny Panel to review outcomes. Qualified personnel are employed by the Group to ensure compliance with legal and regulatory standards. Compliance plan is monitored and issues raised to senior management and the Audit Committee. Group-wide approach to information management with Privacy Impact Statements implemented across the Group. On-going relationship with Scottish Housing Regulator.
Defined benefit pension liabilities	<ul style="list-style-type: none"> Group pensions policy in place setting out approach to management of pension costs. Wheatley defined contribution scheme established, default scheme for new joiners and auto-enrolment.
Withdrawal of housing support services and older people funding	<ul style="list-style-type: none"> New <i>Livingwell</i> service introduced for older people funded through housing benefit. Ongoing review of services to ensure they meet changing needs of older customers. Utilisation of technology to supplement face to face staff contact.

DIRECTORS' REPORT (continued)

Other matters:

Employees

During the year, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Employees are encouraged to participate in regular discussions with their line managers as part of the Group's commitment to ensuring all staff are aware of their role in the Group's achievement of its five strategic platforms which make up "Investing in Our Futures" under the banner of "My Contribution". Regular meetings are also held between management and employees to allow a free flow of information and ideas.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Going concern

After making enquiries, the Group Board has a reasonable expectation that the Wheatley Housing Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis continues to be adopted in the preparation of the Group's financial statements.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent Auditor

A resolution to re-appoint KPMG LLP as auditor will be proposed at the forthcoming annual general meeting.

Future Developments

The Strategic Report sets out future strategic objectives. An updated Group strategy for the period from 2020 to 2025 "Inspiring Ambition, Unleashing Potential" is being developed.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006, Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements Order 2014. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and parent company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Alastair MacNish OBE, Chair
30 August 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED

Opinion

We have audited the financial statements of Wheatley Housing Group Limited ("the company") for the year ended 31 March 2019 which comprise the Group Statement of Comprehensive Income, Company Statement of Comprehensive Income, Group Statement of Changes in Reserves, Company Statement of Changes in Reserves, Group Statement of Financial Position, Company Statement of Financial Position, Group Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's surplus and the result of the parent company for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements Order 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and parent company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report, the Statement on Internal Financial Controls, the Chair's Report and the Chief Executive's Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

We are also required to report to you if, in our opinion:

- the Statement on Internal Financial Control on page 38 does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 44, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WHEATLEY HOUSING GROUP LIMITED (continued)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Shaw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

**GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £ 000	2018 £ 000
Turnover	3	333,552	304,551
Operating expenditure	3	(266,823)	(244,108)
Other (losses)/gains	9	(10,637)	1,759
Operating surplus		56,092	62,202
Share of profit in joint venture		50	37
Gain on disposal of fixed assets	10	1	3,378
Finance income	11	739	702
Finance charges	12	(57,392)	(59,037)
Movement in fair value of financial instruments	13	(4,727)	(320)
(Deficit)/surplus on ordinary activities before taxation		(5,237)	6,962
Taxation	14	(2,006)	(163)
(Deficit)/surplus for the financial year		(7,243)	6,799
Unrealised surplus on the valuation of housing properties		85,112	82,291
Unrealised surplus on the valuation of office properties		1,688	-
Actuarial (loss)/gain in respect of pension schemes		(6,896)	5,450
Total comprehensive income for the year		72,661	94,540

All amounts relate to continuing operations.

The notes on pages 54 to 88 form part of these financial statements.

**COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £ 000	2018 £ 000
Turnover	3	202	242
Operating expenditure	3	(202)	(242)
Operating surplus		-	-
Finance income		-	-
Finance charges		-	-
Surplus on ordinary activities before taxation		-	-
Taxation on surplus for the year		-	-
Surplus for the financial year		-	-
Total comprehensive income for the year		-	-

All amounts relate to continuing operations.

The notes on pages 54 to 88 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019

	Revenue Reserve £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Balance at 1 April 2017	612,979	65,759	678,738
Total comprehensive income for the year	94,540	-	94,540
Transfer of reserves for the revaluation of housing properties	(82,291)	82,291	-
Transfer of reserves for the revaluation of office properties	-	-	-
Balance at 31 March 2018	625,228	148,050	773,278
Total comprehensive income for the year	72,661	-	72,661
Transfer of reserves for the revaluation of housing properties	(85,112)	85,112	-
Transfer of reserves for the revaluation of office properties	(1,688)	1,688	-
Balance at 31 March 2019	611,089	234,850	845,939

COMPANY STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2019

	Total Reserves £ 000
Balance at 1 April 2017	-
Result for the financial year	-
Balance at 31 March 2018	-
Result for the financial year	-
Balance at 31 March 2019	-

The notes on pages 54 to 88 form part of these financial statements.

GROUP STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

	<i>Notes</i>	2019 £000	2018 £000
Fixed assets			
Social housing properties	17	1,887,279	1,728,721
Other tangible fixed assets	18	55,004	47,033
Investment property	19	200,235	179,506
Investment in joint venture	19	87	37
		<u>2,142,605</u>	<u>1,955,297</u>
 Pension asset	 26	 15,774	 28,274
Current assets			
Stock	20	303	178
Trade and other debtors	21	69,286	83,554
Cash and cash equivalents		<u>33,644</u>	<u>52,329</u>
		103,233	136,061
Creditors: amounts falling due within one year	22	(144,208)	(130,825)
Net current (liabilities)/assets		<u>(40,975)</u>	<u>5,236</u>
Total assets less current liabilities		2,117,404	1,988,807
 Creditors: amounts falling due after more than one year	 23	 (1,221,319)	 (1,148,631)
		<u>896,085</u>	<u>840,176</u>
Provisions for liabilities			
Pension liability	26	(8,027)	(8,131)
Provision for other liabilities	24	(42,119)	(58,767)
Total net assets		<u>845,939</u>	<u>773,278</u>
 Reserves			
Share capital	25	-	-
Revenue reserve		611,089	625,228
Revaluation reserve		<u>234,850</u>	<u>148,050</u>
Total reserves		<u>845,939</u>	<u>773,278</u>

These financial statements on pages 54 to 88 were approved by the Board on 30 August 2019 and were signed on its behalf by:

Alastair MacNish
Chair

The notes on pages 54 to 88 form part of these financial statements.
Company registration number SC426094.

COMPANY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

	<i>Notes</i>	2019 £000	2018 £000
Trade and other debtors		-	-
Cash and cash equivalents		5	2
		<u>5</u>	<u>2</u>
Creditors: amounts falling due within one year	22	(5)	(2)
		<u>-</u>	<u>-</u>
Net current assets		-	-
Total assets less current liabilities		-	-
		<u>-</u>	<u>-</u>
Total net assets		-	-
Reserves			
Share capital	25	-	-
		<u>-</u>	<u>-</u>
Total reserves		-	-

These financial statements were approved by the Board on 30 August 2019 and were signed on its behalf by:

Alastair MacNish
Chair

The notes on pages 54 to 88 form part of these financial statements.

Company registration number SC426094.

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	<i>Notes</i>	2019 £000	2018 £000
Net cash generated from operating activities	28	87,763	118,143
Cash flow from investing activities			
Improvement of properties		(63,760)	(67,144)
Acquisition of properties		(1,943)	(2,350)
Construction of new properties		(117,789)	(113,885)
Purchase of other fixed assets	18	(8,516)	(7,260)
Purchase of investment properties	19	(2,812)	(5,698)
Proceeds from sale of properties		2,577	13,443
Grants received	23	59,849	55,323
Finance income		275	264
		(132,119)	(127,307)
Cash flow from financing activities			
Finance charges		(58,285)	(59,975)
Cash obtained through acquisition		-	-
Bank loan drawn down		210,500	186,430
Repayments of bank loans		(126,439)	(91,612)
Taxation		(105)	(22)
		25,671	34,821
Net change in cash and cash equivalents		(18,685)	25,657
Cash and cash equivalents at 1 April		52,329	26,672
Cash and cash equivalents at 31 March		33,644	52,329
Cash and cash equivalents at 31 March			
Cash		33,644	52,329
Bank overdraft		-	-
		33,644	52,329

The notes on pages 54 to 88 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Wheatley Housing Group Limited ("Wheatley", "Wheatley Group" or "the Company") is a limited company incorporated in Scotland under the Companies Act 2006. It is a housing association registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The Company and its subsidiaries are referred to as "the Group". The Group's subsidiaries include housing associations, incorporated entities and charities. The principal activity of the Group is the provision of social housing and associated housing management services. The registered office is Wheatley House, 25 Cochrane Street, Glasgow G1 1HL.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Group and the Company are prepared in accordance with the Companies Act 2006, applicable accounting standards, the accounting requirements included within the Determination of Accounting Requirements 2014, and under the historical cost accounting basis, modified to include the revaluation of derivative financial investments, properties held for letting, investment properties and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 ("SORP 2014"), issued by the National Housing Federation and under FRS 102.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding and the certainty of cash flow from the rental of social housing stock.

The Wheatley Housing Group Limited is a public benefit entity.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- determining the appropriate discount rates used in the valuation of housing and investment properties;
- component accounting and the assessment of useful lives;
- the assessment of the fair value of financial instruments;
- determining the value of the Group's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds; and
- allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2019. Profits or losses on intra-group transactions are eliminated in full in accordance with FRS 102.

New subsidiaries joining the Group are accounted for under section 19.6 of FRS 102, as combinations that are in substance a gift. Any gain on acquisition is recognised through the Statement of Comprehensive Income as a gain on business combination. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. On joining the Group, an exercise is undertaken to align subsidiary accounting policies to the Group policies which may result in a restatement of comparative figures in the subsidiary results prior to consolidation.

Joint Venture

Wheatley Housing Group is a 50:50 joint owner in City Building (Glasgow) LLP ("CBG"). The investment in the joint venture is accounted for using the equity method as outlined in FRS 102 Section 15. The investment is recognised in the Statement of Financial Position at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share. Where the Group's share of losses equals or exceeds the carrying amount of the investment the share of these losses are recognised as a provision to the extent that the Group has legal or constructive obligations or has made payment on behalf of the joint venture. The investment in the joint venture is recorded in the investing entity's stand alone financial statements at cost less impairment.

Related party disclosures

The Company has taken advantage of the exemption, available under FRS 102, from disclosing related party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, grants and other income. In respect of the Group Statement of Comprehensive Income, turnover also includes factoring, care contracts and income from market and commercial rental activities.

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met and care contract income is recognised when services are delivered to customers as required under the agreement with each service commissioner.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the SORP 2014. Prior to satisfying the performance conditions (e.g. on completion of new build properties), such grants are held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing

Expenditure on housing accommodation and supported housing is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial instruments

Financial assets

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies, bond finance and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Housing loans are classed as either basic or complex financial instruments under FRS 102. Loans are provided to RSL subsidiary members of the Group by its lenders through Wheatley Funding No. 1 Limited ("WFL1"). Loans are provided to commercial subsidiaries of the Group by Wheatley Funding No. 2 Limited ("WFL2"). All arrangements are classed as basic under the requirements of FRS 102, and are measured at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Any movement in the value of financial instruments recognised in the Statement of Comprehensive Income relates to any in-year adjustments for changes in the value of payment arrangement in place with customers, and the Scottish Government loan.

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Pensions

Glasgow Housing Association participates in a defined benefit pension scheme arrangement with the Strathclyde Pension Fund ("SPF"). The Strathclyde Pension Fund is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Barony Housing Association participates in a defined benefit pension scheme arrangement with the Lothian Pension Fund ("LPF"). The Lothian Pension Fund is administered by the City of Edinburgh Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Both the SPF and LPF ("the Funds") provide benefits based on final pensionable pay, which is contracted out of the State Second Pension. Assets and liabilities of both Funds are held separately from those of the participating Associations.

Glasgow Housing Association and Barony Housing Association account for participation in the Funds in accordance with FRS 102 which requires disclosures presented for both the current and comparative period. FRS 102 also requires that quoted securities are valued at their current bid-price rather than their mid-market value.

The defined benefit fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

liability. Glasgow Housing Association's share of the SPF and Barony Housing Association's share of the LPF pension fund surplus (to the extent that it is recoverable) or deficit is recognised in full. The assumptions used in valuing the defined benefit pension arrangements result in a pension asset being recognised on the Statement of Financial Position, on the basis that the future level of employers contributions so as to match the required funding level for the scheme. The pension asset would be realised in line with the assumptions relating to longevity. The movement in the Funds' surplus / deficit is split between operating charges, finance items and in the Statement of Comprehensive Income under actuarial gain or loss on pension schemes.

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Enterprise previously participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Benefit Pension Scheme.

Loretto members transferred to the SHAPS Defined Contribution Scheme on 1 July 2013 with Dunedin Canmore members transferring on 1 April 2014 and Cube and West Lothian members transferring on 1 September 2014. Following the transfer of the operations of Dunedin Canmore Enterprise on 30 March 2017, Dunedin Canmore Housing became the participating employer in SHAPS in place of Dunedin Canmore Enterprise. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme.

In respect of the defined benefit element of the scheme, payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Group's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

A Group defined contribution scheme arrangement administered by the Salvus Master Trust is available to employees in certain subsidiaries of the Group.

Fixed assets – social housing properties

In accordance with SORP 2014, the Group operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

• Valuation of social housing stock

All social housing properties owned by the Group's subsidiaries are valued annually on an Existing Use Value for Social Housing ("EUUV-SH") basis by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. Housing stock has been split into two streams of property for valuation purposes, namely housing retained for letting and demolition programme properties. This separation into categories is on the basis of the Group's 30-year Business Plan which identifies the core stock which will be the subject of the Group's investment expenditure going forward and the stock which forms part of the demolition programme until 2020/21, and consequently has limited investment expenditure attached to it.

The cost of properties is their purchase price together with the cost of capitalised improvement

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

works that result in incremental future benefits to the landlord from the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

Increases in the valuation of social housing properties are reported as other comprehensive income, accumulated in equity and reported as a revaluation reserve. Revaluation decreases reduce the accumulated gains and thereafter are recognised in profit or loss. Subsequent valuation gains are recognised in profit or loss to the extent they reverse a valuation decrease previously recognised in profit or loss.

On disposal, the value of the property is offset against the proceeds of sale and the gain or loss on disposal is taken to the Statement of Comprehensive Income.

• Depreciation and impairment

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Group has taken account of views provided by both internal and external professional sources. Freehold land is not subject to depreciation.

Major components are treated as separate assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following rates:

	<u>Economic Life</u>
Land	not depreciated
Bathrooms	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
Internal works and common areas	20 yrs
Kitchens	20 yrs
Mechanical, Electrical and Plumbing	25 yrs
Structure and roofs	50 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the fair value after deducting costs to sell, and any write down is charged to operating surplus.

Previously, the structure and roofs component of certain housing properties was depreciated over an economic life of 75 years. The estimated economic life of these components has been revised from 75 years to 50 years to ensure a consistent approach across the Group, and the revised estimate used from 2018/19 reporting onwards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

- **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting.

The Group's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including direct development staff costs; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

- **Properties held for demolition**

Demolition programme housing properties have a negative valuation for accounting purposes due to the impact of demolition costs on the EUV-SH calculation, and so are held at nil on the Statement of Financial Position. Under FRS 102 there is no constructive obligation at the year-end to provide for these costs.

Investment properties

Housing for mid market and market rent is valued on an open market value subject to tenancies basis ("MV-T") at 31 March. The valuation is carried out by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The properties are held as investment properties not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Commercial properties are held as investment properties and not subject to depreciation, they are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are re-valued at least every five years.

Changes in the valuation of investment properties are reported in the Statement of Comprehensive Income in profit or loss and disclosed within other income and gains.

Housing Association Grant and other capital grants

Housing Association Grant ("HAG") is received from central government and local authorities and is utilised to subsidise the costs of housing properties.

HAG is recognised as income in the Statement of Comprehensive Income under the performance model. In the case of new build this will be when the properties are completed. HAG due or received is held as deferred income until the performance conditions are satisfied, at which point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Properties are disposed of under the provisions contained in the Housing (Scotland) Act 2010. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is accounted for as a liability. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay is disclosed as a contingent liability.

Other tangible fixed assets

For other tangible fixed assets, depreciation is charged on a straight line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	<u>Economic Life</u>
Office premises (valuation)	40 yrs
District heating (cost)	30 yrs
Furniture, fittings and office equipment (cost)	5-7 yrs
Computer equipment (cost)	3-7 yrs
Community Infrastructure (cost)	20 yrs
Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made at the end of each reporting period.	

Provisions

The Group only provides for liabilities at the year end where there is a legal or constructive obligation incurred which will likely result in the outflow of resources.

Taxation

As charities, The Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Loretto Care Dunedin Canmore Housing Limited and Barony Housing Association Limited are exempt from corporation tax on their charitable activities by virtue of Section 478 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Capital Gains Tax Act 1992. A charge for taxation is made in the Group's non-charitable subsidiary companies, based on their taxable profit for the year. In accordance with FRS 102, full provision is made for all material timing differences.

Value Added Tax

The Group is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on Glasgow Housing Association refurbishment works expenditure included in the development works agreement with Glasgow City Council is substantially recoverable. Expenditure on these works is shown net of VAT.

that obligation sub-contracted to Glasgow Housing Association. This has been shown on the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Development Agreement

Glasgow Housing Association has entered into agreements with Glasgow City Council whereby the undertaking of catch-up repairs and improvement works remained with the City Council, with that obligation sub-contracted to Glasgow Housing Association. This has been shown on the Group's Statement of Financial Position as a debtor offset by a provision of an equal amount. As work progresses, both amounts will be reduced by the appropriate amount.

3. Particulars of turnover, operating costs and operating surplus

Group

		2019			2018
	Turnover	Operating Costs	Other (losses)/ gains	Operating surplus/ (deficit)	Operating surplus/ (deficit)
	£ 000	£ 000	£ 000	£ 000	£ 000
Social lettings (note 4)	274,667	(203,957)	-	70,710	70,453
Other activities (note 5)	58,885	(62,866)	-	(3,981)	(10,010)
Other income and gains (note 9)	-	-	(10,637)	(10,637)	1,759
Total	333,552	(266,823)	(10,637)	56,092	62,202
Total for previous reporting period	304,551	(244,108)	1,759	62,202	

Company

		2019		2018
	Turnover	Operating Costs	Operating surplus	Operating surplus
	£ 000	£ 000	£ 000	£ 000
Other activities (note 5)	202	(202)	-	-
Total	202	(202)	-	-
Total for previous reporting period	242	(242)	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. Particulars of turnover, operating costs and operating surplus from social letting activities

Group	General Needs	Supported Housing	Shared Ownership	2019 Total	2018 Total
	£ 000	£ 000	£ 000	£ 000	£ 000
Rent receivable net of service charges	207,413	8,978	1,031	217,422	209,058
Service charges	3,702	1,537	78	5,317	5,112
Gross income from rents and service charges	211,115	10,515	1,109	222,739	214,170
Less rent losses from voids	(1,390)	(253)	-	(1,643)	(1,676)
Net income from rents and service charges	209,725	10,262	1,109	221,096	212,494
Grants released from deferred income – new build	50,969	-	-	50,969	37,544
Grants released from deferred income – other capital grant	2,133	-	-	2,133	-
Other revenue grants	11	458	-	469	476
Total turnover from social letting activities	262,838	10,720	1,109	274,667	250,514
Management and maintenance administration costs*	57,112	2,322	372	59,806	56,858
Service costs	6,622	823	111	7,556	7,176
Planned and cyclical maintenance including major repairs costs	17,419	620	129	18,168	21,448
Reactive maintenance costs	36,225	1,005	202	37,432	34,700
Bad debts – rents and service charges	3,254	118	31	3,403	1,838
Depreciation of social housing**	74,156	2,871	565	77,592	58,041
Operating costs from social letting activities	194,788	7,759	1,410	203,957	180,061
Operating surplus from social lettings	68,050	2,961	(301)	70,710	70,453
Operating surplus from social lettings for the previous reporting period	68,562	1,851	40	70,453	

*Included in management and maintenance administration costs is a charge of £2,265k for GMP indexation pension costs (note 26).

**Depreciation of social housing includes an additional £12,225k for the change in the estimate of the useful life of the structure of certain of the Group's social housing properties.

Company

There were no activities in the Wheatley Housing Group Limited entity results classified as social letting.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

5. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

Group

	Grants From Scottish Ministers £ 000	Other Income £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2019 Operating Surplus /(Deficit) £ 000	2018 Operating Surplus /(Deficit) £ 000
Wider role activities to support the community	-	934	-	934	(13,457)	(12,523)	(9,037)
Care activities	428	13,244	-	13,672	(12,946)	726	413
Factoring	-	13,094	-	13,094	(11,676)	1,418	1,646
Investment Property	-	13,490	-	13,490	(3,545)	9,945	9,235
Support activities	2,244	3,678	-	5,922	(6,386)	(464)	(1,311)
Owners' improvement activities	-	1,532	-	1,532	(2,203)	(671)	(837)
Demolition activities	-	-	-	-	(677)	(677)	(1,260)
Other income	-	9,650	-	9,650	(1,116)	8,534	6,721
Depreciation – Non Social Housing Organisation	-	-	-	-	(5,729)	(5,729)	(7,604)
Restructuring	-	-	-	-	(4,012)	(4,012)	(7,675)
Development & Construction of Property Activities	-	591	-	591	(1,119)	(528)	(301)
			-				
Total from other activities	2,672	56,213	-	58,885	(62,866)	(3,981)	(10,010)
Total from other activities for the previous reporting period	2,828	39,146	12,063	54,037	(64,047)	(10,010)	

Company

	Grants From Scottish Ministers £ 000	Other Revenue £ 000	Supporting People Income £ 000	Total Turnover £ 000	Total Operating Costs £ 000	2019 Operating Surplus £ 000	2018 Operating Surplus £ 000
Provision of Group services	-	202	-	202	(202)	-	-
Total from other activities	-	202	-	202	(202)	-	-
Total from other activities for the previous reporting period	-	242	-	242	(242)	-	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

6. Board members' emoluments

Board members received emoluments of £189,077 (2018: £204,001) in respect of their services to Wheatley Housing Group Limited. These amounts are fully recharged to Wheatley Solutions and onwards to operational subsidiaries.

Emoluments were paid to the following Board members.

	2019	2018
	£	£
Alastair MacNish	30,000	30,000
Sheila Gunn	18,500	18,500
Mike Blyth	15,000	15,000
Bernadette Hewitt	18,500	18,500
Paddy Gray	11,500	11,500
Jo Armstrong	11,500	11,500
John Hill	11,500	11,500
Ronnie Jacobs	15,000	15,000
Peter Kelly	11,500	11,500
Martin Kelso	11,500	11,500
James Muir	11,500	11,500
Mary Mulligan	11,500	4,792
Tom Mitchell	-	6,709
Bryan Duncan (part year)	2,389	-
Jo Boaden (part year)	3,348	-
Elizabeth Walford (part year)	3,577	15,000
Kate Willis (part year)	5,611	11,500
	<u>192,425</u>	<u>204,001</u>

In addition, £4,067 (2018: £5,689) was paid to Board members for reimbursement of expenses.

7. Officers' emoluments

	2019	2018
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	1,347	1,276
Emoluments payable to the highest paid key management	282	269
Employer pension contributions	52	48
Total emoluments payable to the highest paid key management	<u>334</u>	<u>317</u>

During the periods the key management's emoluments (excluding pension contributions) fell within the following band distributions:

More than £150,000 but not more than £160,000	-	1
More than £160,000 but not more than £170,000	1	4
More than £170,000 but not more than £180,000	4	-
More than £260,000 but not more than £270,000	-	1
More than £280,000 but not more than £290,000	1	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

7. Officers' emoluments (continued)

The senior officers are defined for this purpose as the Chief Executive and any person reporting directly to the Chief Executive earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

The senior officers are eligible to join the Strathclyde Pension Fund and employer's contributions are paid on the same basis as other members of staff.

There were six senior officers in post at 31 March 2019. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

8. Employees

In the year to 31 March 2019, the average full time equivalent number of employees of the Group, including senior officers, was 2,680 (2018: 2,600). No staff are directly employed by the Company.

Group	2019 £ 000	2018 £ 000
Staff costs (for the above persons)		
Wages and salaries	68,783	67,865
Social security costs	7,224	7,016
Employer's pension costs	10,245	9,867
FRS 102 Pension adjustment	6,144	3,068
	<u>92,396</u>	<u>87,816</u>

The FRS 102 pension adjustment includes an estimate by the pension scheme actuary of the potential impact of the McCloud ruling and GMP equalisation (note 26).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

9. Other income and gains

	2019	2018
	£ 000	£ 000
Group		
(Loss)/gain on revaluation of investment property:	(10,637)	1,759
Total other income and gains	<u>(10,637)</u>	<u>1,759</u>

10. Gain on disposal of fixed assets

This represents net income from the sale of properties under tenants' Right-to-Buy ("RTB") entitlement and from other property disposals including Shared Ownership sales.

	2019	2018
	£ 000	£ 000
Group		
Right-to-Buy		
Proceeds from disposal of properties	534	12,276
Value of properties disposed	<u>(332)</u>	<u>(8,576)</u>
Surplus on sale of fixed assets	<u>202</u>	<u>3,700</u>
Other properties (including shared ownership)		
Proceeds from disposal of properties	2,043	1,167
Value of properties disposed	<u>(2,244)</u>	<u>(1,489)</u>
Deficit on sale of fixed assets	<u>(201)</u>	<u>(322)</u>
Total gain on disposal of fixed assets	<u>1</u>	<u>3,378</u>

11. Finance income

	2019	2018
	£ 000	£ 000
Group		
Bank interest receivable on deposits in the year	81	35
Net return on pension asset	<u>658</u>	<u>667</u>
Total	<u>739</u>	<u>702</u>

12. Finance charges

	2019	2018
	£ 000	£ 000
Group		
Interest payable	54,167	55,997
Other financing costs	3,087	2,900
Net cost on pension	<u>138</u>	<u>140</u>
Total	<u>57,392</u>	<u>59,037</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

12. Finance charges (continued)

Other financing costs include commitment, non-utilisation fees, the amortisation of transaction costs on the Group's funding arrangements and the amortised interest on the contingent efficiencies loan.

Interest of £3.7m (2018: £3.6m) has been capitalised at a weighted average interest rate of 4.68% (2018: 5.10%). The rate is specific to the funding drawn in the year and invested in housing under construction.

13. Movement in fair value of financial instruments

Group	2019 £ 000	2018 £ 000
Movement in the Scottish Government loan	4,723	329
Movement in discount to arrears balances (note 21)	4	1
	<u>4,727</u>	<u>320</u>

14. Tax on surplus on ordinary activities

Group	2019 £000	2018 £000
Total tax expense recognised in the Statement of Comprehensive Income:		
<u>Current tax:</u>		
Current tax on income for the year	102	134
Adjustment in respect of prior periods	19	(101)
	<u>121</u>	<u>33</u>
<u>Deferred tax:</u>		
Origination and reversal of timing differences	1,978	266
Effects of changes in tax rates	(201)	(28)
Adjustment in respect of prior periods	108	(108)
	<u>1,885</u>	<u>130</u>
Total Tax	<u>2,006</u>	<u>163</u>

The Company had no tax charge for the year (2018: nil).

The charitable status of Glasgow Housing Association, Dunedin Canmore Housing, Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association and Barony Housing Association means that no corporation tax is payable on their activities. Tax is payable on the profits from the activities of the Group's other non-charitable subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

14. Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the current period

Group	2019 £000	2018 £000
Reconciliation of effective tax rate		
(Deficit)/surplus for the year	(7,243)	6,799
Total tax expense	2,006	163
(Deficit)/surplus excluding taxation	(5,237)	6,962
 Tax using the UK corporation tax rate of 19% (2018: 19%)	(995)	1,323
Effects of:		
Charitable losses/(surpluses) not subject to tax	5,678	(644)
Qualifying charitable donations	(574)	(376)
Under provision in prior year	19	(105)
Expenses not deductible	44	363
Tax rate changes	(201)	(28)
Effect of indexation allowance on chargeable gains	(1,965)	(370)
 Total tax expense included in Statement of Comprehensive Income	2,006	163

The Company has no tax charge for the year (2018: nil).

15. Auditor's remuneration

	2019 £'000	2018 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	13	13
Audit of financial statements of subsidiaries pursuant to legislation	163	162
Other audit related services	8	8

16. Financial commitments

Capital commitments

All capital commitments of the Group were as follows:

Group	2019 £000	2018 £000
Expenditure contracted for, but not provided in the financial statements	105,939	78,614
Expenditure authorised by the Board but not contracted	50,725	152,457
	156,664	231,071

The Group has access to sufficient funding through cash or bank lending facilities to meet the capital commitments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

16. Financial commitments (continued)

Operating leases

At 31 March the Group had commitments under non-cancellable operating leases as follows; the Company had no such commitments:

Group	2019 Land and Buildings	2019 Other	2018 Land and Buildings	2018 Other
	£000	£000	£000	£000
Operating lease payments due:				
Within one year	772	720	1,083	15
In the second to fifth years inclusive	1,277	474	2,138	45
Over five years	13	164	65	21
	2,062	1,358	3,286	81

Lease commitments include the timing of the full payment due under contract as required by FRS 102. The Group's social housing properties are held under operating leases and are tenanted under cancellable operating lease conditions. As such, no disclosure of tenant leases under FRS 102 section 20.30 is made.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. Fixed assets – Social Housing Properties

Group	Core Stock £ 000	Housing Under Construction £ 000	Shared Owner- ship £ 000	Total £ 000
At Valuation				
At 1 April 2018	1,601,821	109,541	17,359	1,728,721
Additions	65,658	121,489	45	187,192
Disposals	(3,058)	-	(432)	(3,490)
Transfers	85,148	(120,406)	(44)	(35,302)
Revaluation	8,608	-	1,550	10,158
At 31 March 2019	1,758,177	110,624	18,478	1,887,279
Depreciation				
At 1 April 2018	-	-	-	-
Charge for year	(75,515)	-	(565)	(76,080)
Disposals	1,119	-	7	1,126
Revaluation	74,396	-	558	74,954
At 31 March 2019	-	-	-	-
Net Book Value - valuation				
At 31 March 2019	1,758,177	110,624	18,478	1,887,279
At 31 March 2018	1,601,821	109,541	17,359	1,728,721
Net Book Value – historic cost equivalent				
At 31 March 2019	2,057,217	110,624	22,304	2,197,943
At 31 March 2018	1,972,181	109,541	22,763	2,104,485

Total expenditure on repairs and capital improvements in the year on existing properties was £121.3m (2018: £125.6m). Of this, repair costs of £55.6m (2018: £56.1m) were charged to the Statement of Comprehensive Income (note 4) with capital improvements of £65.7m (2018: £69.5m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £65.7m (2018: £69.5m) in the year include:

- £36.2m for the improvement of components including:
 - £8.5m on fire safety upgrade works;
 - £3.0m in relation to medical adaptations;
 - £24.7m for other strategic projects including our Wingets improvement projects and our High Rise Living strategy;
- £27.3m on the replacement of components including capitalised void costs; and
- £2.2m for the acquisition of properties for social rent.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. Fixed assets – Social Housing Properties (continued)

All subsidiaries in the Wheatley Housing Group Limited account for social housing properties at valuation. Additions to housing under construction include capitalised interest costs of £3.7m (2018: £3.6m). Interest has been capitalised at the weighted average interest cost for the Association of 4.68% (2018: 5.10%).

The valuation of social housing properties is separated into two categories, namely those retained for letting and those properties which form part of the Association's demolition programme, as detailed in the Association's 30-year Business Plan for 2019/20. The demolition programme identifies 117 (2018: 122) properties for demolition over the next few years, with no long term investment expenditure associated with these properties.

Demolition programme stock has a negative valuation for accounting purposes due to the impact of demolition costs on the Existing Use for Valuation – Social Housing ("EUV-SH") calculation, and so is held at nil on the Statement of Financial Position as under FRS 102 there is no constructive obligation at the year-end date to provide for these costs.

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors ("RICS") to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2019 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2019/20 and +0.5% thereafter for retained stock, in line with the Association's 30 year Business Plan (2019/20). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During the year the Group disposed of 11 properties (2018: 311 properties) to tenants under Right to Buy entitlements. These properties were valued at £0.332m during the year (2018: £8.576m).

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Group at 31 March is shown below:

	2019	2018
Social Housing		
General needs	48,670	48,000
Shared ownership	378	385
Supported housing	1,587	1,690
Housing held for long-term letting	50,635	50,075
Housing approved/planned for demolition	117	122
Total Units	50,752	50,197

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

18. Fixed assets - other tangible fixed assets

Group	Community Infra- structure	Office Premises £ 000	District Heating £ 000	Furniture, fittings and equipment £ 000	Computer Equipment £ 000	Total £ 000
Cost						
At 1 April 2018	8,762	18,710	5,778	27,847	43,825	104,922
Additions	1,497	970	27	1,619	4,403	8,516
Transferred	-	(4,945)	4,996	4,945	-	4,996
Disposals	-	-	-	(122)	(1,421)	(1,543)
Revaluation	-	872	-	-	-	872
At 31 March 2019	10,259	15,607	10,801	34,289	46,807	117,763
Depreciation						
At 1 April 2018	(577)	(1,961)	(3,017)	(20,653)	(31,681)	(57,889)
Charge for year	(495)	(430)	(192)	(2,213)	(3,202)	(6,532)
Disposals	-	-	-	99	747	846
Transferred	-	1,575	-	(1,575)	-	-
Revaluation	-	816	-	-	-	816
At 31 March 2019	(1,072)	-	(3,209)	(24,342)	(34,136)	(62,759)
Net Book Value						
At 31 March 2019	9,187	15,607	7,592	9,947	12,671	55,004
At 31 March 2018	8,185	16,749	2,761	7,194	12,144	47,033

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Investments

Investment properties

Group	Properties held for market rent £ 000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2018	167,822	11,684	179,506
Additions	2,812	-	2,812
Transfers	30,306	-	30,306
Disposals	(1,752)	-	(1,752)
Revaluation	(10,573)	(64)	(10,637)
At 31 March 2019	188,615	11,620	200,235
Net Book Value			
At 31 March 2019	188,615	11,620	200,235
At 31 March 2018	167,822	11,684	179,506

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019.

The number of properties held for market rent by the Group at 31 March were:

	2019	2018
Market Rent Properties		
Total Units	1,830	1,591

Commercial properties were valued by an independent professional advisor, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

In determining the valuation of investment properties, it is assumed that there are no restrictions on the ability to realise the investment properties or the remittance of income and proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. Investments (continued)

Investment in joint venture

	2019	2018
Group	£000	£000
Investment in joint venture	87	37

The Group is a 50:50 joint venture partner in City Building (Glasgow) LLP. The investment in City Building (Glasgow) LLP is recognised in the financial statements at cost less any impairment. The Group's share of profits or losses of the joint venture are recognised in the Statement of Comprehensive Income and the initial investment is subsequently adjusted to reflect the Group's share.

20. Stock

	2019	2018
Group	£ 000	£ 000
Stock at maintenance depot	226	178
Balances owed by third parties – development costs	77	-
	303	178

Stock at maintenance depot relates to consumable parts held at our workshop in Edinburgh in relation to our repairs and investment service for our subsidiaries in the east of the country.

Balances owed to third parties relates to amounts owed by third party Housing Associations for their contractual share of the development costs incurred by the Group to date and not yet settled.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21. Debtors

Group	2019 £ 000	2018 £ 000
Due in more than one year:		
Development agreement	38,420	57,610
	38,420	57,610
Due within one year:		
Arrears of rent and service charges	15,173	13,327
Adjustment to discount arrears balances with payment plans (note 13)	(71)	(75)
Less: provision for bad and doubtful debts	(4,488)	(2,742)
	10,614	10,510
Prepayments and accrued income	6,375	6,375
Other debtors	13,877	9,059
Total	69,286	83,554

Included in debtors is a balance of £38.4m (2018: £57.6m) in respect of the expected cost of the development work that Glasgow City Council has committed to undertake in order to refurbish the housing properties transferred. The Council has sub-contracted Glasgow Housing Association to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure (note 22) and as work progresses both of these balances will be utilised when the work is actually undertaken.

22. Creditors: amounts falling due within one year

Group	2019 £ 000	2018 £ 000
Amounts falling due within one year:		
Trade creditors	9,222	6,301
Accruals	45,770	50,402
Deferred income (note 23)	66,255	47,125
Rent and service charges received in advance	9,177	16,286
Salaries, wages, other taxation and social security	2,440	2,489
Corporation tax	165	203
Housing loans	4,050	250
Other creditors	7,129	7,769
Total	144,208	130,825

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. Creditors: amounts falling due within one year (continued)

Company	2019 £ 000	2018 £ 000
Amounts falling due within one year:		
Trade creditors	-	-
Accruals	-	-
Corporation tax payable	-	-
Amounts due to Group undertakings	5	2
Total	5	2

23. Creditors: amounts falling due after more than one year

Group	2019 £000	2018 £000
Scottish Government loan	35,531	29,187
Housing loans - bank facilities	654,683	692,708
Housing loans - bond finance	295,659	298,844
Housing loans - private note placement	223,223	99,615
Deferred income	11,511	26,914
Other creditors	712	1,363
Total	1,221,319	1,148,631

The Scottish Government made available to Glasgow Housing Association £100.0m of contingent efficiencies grant over an eight year period. Under this agreement £100.0m (2018: £100.0m) has been received and this is an interest-free loan with repayment due in 2040/41. The amount due of £35.5m at 31 March 2019 is the measurement of the liability after discounting for an equivalent interest bearing arrangement with the same repayment date.

Housing Loans

Registered Social Landlord's borrowing arrangements are in place via a Group funding structure which consists of bank and capital markets debt, secured on charged properties owned by RSLs within the Wheatley Housing Group. RSL Group funding was made up of a committed facility of £662.4m from a syndicate of commercial banks, a committed facility of £285.3m from the European Investment Bank, a committed facility of £100m with HSBC, £300.0m raised through the issue of a public bond and £150.0m private placement loan notes managed by BlackRock Real Assets. This provided total facilities of £1,497.7m for the RSL borrower group through Wheatley Funding No.1 Limited, a wholly-owned subsidiary of the Wheatley Housing Group Limited. The RSL borrowing group comprises Glasgow Housing Association, Cube Housing Association, West Lothian Housing Partnership, Dunedin Canmore Housing, Barony Housing Association and Loretto Housing Association.

Additional facilities are provided through direct loans with certain group companies: committed facilities from The Housing Finance Corporation of £16.5m (Dunedin Canmore Housing) and a £16m unsecured Scottish Government Charitable Bond with Allia Ltd (Dunedin Canmore Housing). The £5m facility with Amber Green Spruce (Cube Housing Association) was repaid in full during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

23. Creditors: amounts falling due after more than one year (continued)

Bond finance is repayable in 2044/45, and has a coupon rate of 4.375%.

In the period up to 31 October 2018, Lowther had access to a £50.0m facility provided through Wheatley Funding No.2 Ltd ("WFL2"). This facility was repaid on 31 October and a new agreement entered into by WFL2 with Scottish Widows through Bank of Scotland to provide a facility for Lowther of £76.5m. Interest on the new facility has been charged at a rate of 3.77%.

Borrowings are repayable as follows:	2019	2018
	£ 000	£ 000
In less than one year	4,050	250
In more than five years	1,173,565	1,091,167
	<hr/>	<hr/>
	1,177,615	1,091,417

The deferred income balance is made up as follows:

	Housing Association Grant £ 000	Other £ 000	Total Deferred Income £ 000
Deferred income as at 1 April 2018	65,453	8,586	74,039
Additional income received	57,020	2,829	59,669
Released to the Statement of Comprehensive Income	(50,969)	(5,153)	(56,122)
Deferred income as at 31 March 2019	<hr/> 71,504	<hr/> 6,262	<hr/> 77,766

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2019	2018
Deferred income to be released to the Statement of Comprehensive Income:	£ 000	£ 000
In less than one year (note 20)	66,255	47,125
In more than one year but less than five years	11,511	26,914
In more than five years	-	-
	<hr/> 77,766	<hr/> 74,039

Financial instruments

Financial assets:	2019	2018
	£'000	£'000
<u>Measured at amortised cost:</u>		
Debtors and accrued income	30,896	25,944
Total	<hr/> 30,896	<hr/> 25,944

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

23. Creditors: amounts falling due after more than one year (continued)

	2019 £ 000	2018 £ 000
Financial liabilities:		
<u>Measured at amortised cost:</u>		
Creditors, accruals and deferred income	152,389	158,852
Bank loans	1,177,614	1,091,417
	1,330,003	1,250,269
<u>Measured at fair value:</u>		
Scottish Government loan	35,531	29,187
Total	1,365,534	1,279,456

Income earned and expense payable on the financial assets and liabilities is disclosed in note 11 and 12 respectively.

24. Provisions for liabilities and charges

Group	Development Agreement £ 000	Insurance £ 000	Deferred tax £000	Dilapidation Provision £'000	Total £ 000
At 1 April 2018	57,610	536	621	-	58,767
Created	-	-	1,834	810	2,644
Utilised	(19,190)	(101)	(1)	-	(19,292)
At 31 March 2019	38,420	435	2,454	810	42,119

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties in 2003 less the cost of repairs carried out since that date. This agreement is part of the Development Agreement between Glasgow Housing Association and Glasgow City Council and as work progresses the provision will be utilised when the work is actually undertaken.

Insurance

A provision has been made in respect of the excess arising on all outstanding insurance claims.

Deferred tax

Deferred tax is provided to take account of timing differences between the treatment of certain items for financial statement purposes and their treatment for tax purposes. Deferred tax is provided for all material timing differences and for the unrealised gain or losses on investment properties in certain subsidiaries in the Group.

Dilapidation provision

This provision represents the estimated costs of dilapidation works required under lease contracts for office properties leased by group entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

25. Share capital

Wheatley Housing Group Limited was incorporated on 13 June 2012 and is a Company Limited by Guarantee and therefore does not have any Share Capital.

There were no balances in reserves for the company at 31 March 2019.

26. Pensions

Strathclyde Pension Fund and Lothian Pension Fund

Both funds are part of the wider Local Government Pension Scheme ("LGPS") in Scotland. The Group subsidiary Glasgow Housing Association Limited participates in the Strathclyde Pension Fund ("SPF") which is administered by Glasgow City Council and is a defined benefit scheme. Barony Housing Association Limited participates in the Lothian Pension Fund ("LPF") which is administered by Edinburgh City Council and is a defined benefit scheme. The assets of both SPF and LPF are held separately from those of the respective Association with investments under the overall supervision of the Fund Trustees.

The latest full actuarial valuation was carried out as at 31 March 2017. The next full actuarial valuation is due as at 31 March 2020.

GMP

Guaranteed minimum pension ("GMP") was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the on-going indexation of GMPs, which could lead to inequalities between men's and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The Funds' actuary has carried out calculations in order to estimate the impact that the GMP indexation changes will have on the pension fund liabilities. The estimate assumes that the permanent solution eventually agreed will be equivalent in cost to extending the interim solution to all members reaching state pension age from 6 April 2016 onwards.

The estimated impact of GMP indexation is to increase the share of total liabilities in SFP for Glasgow Housing Association by approximately £2,265k and the share of total liabilities in LPF by approximately £42k for Barony Housing Association.

McCloud/Sargeant Ruling

The benefit structure of the LGPS in Scotland was reformed in 2015 and transitional protections were applied to certain older members close to normal retirement age.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

26. Pensions (continued)

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination.

The actuary for both SPF and LPF has assessed the likely impact of the ruling on the liability of the funds in conjunction with the principal actuarial assumptions used for the valuation, and has concluded that the ruling has no impact on either scheme.

The liabilities disclosed for Strathclyde Pension Fund and Lothian Pension Fund at 31 March 2019 include the estimated impact on liabilities of the GMP indexation.

TPT Retirement Solutions - Scottish Housing Association Pension Scheme

Cube Housing Association, West Lothian Housing Partnership, Loretto Housing Association, Loretto Care and Dunedin Canmore Housing participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") defined benefit section. This is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme. Loretto Housing Association Limited and Loretto Care transferred to the SHAPS Defined Contribution scheme with effect from 1 July 2013, Cube Housing Association and West Lothian Housing Partnership transferred with effect from 1 September 2014 and Dunedin Canmore transferred on 1 April 2014.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2019.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

26. Pensions (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Wheatley Housing Group Defined Contribution Scheme

The Group also operates a defined contribution scheme through the Salvus Master Trust. These arrangements are open to all employees who are not members of the Strathclyde Pension Fund, Lothian Pension Fund, SHAPS defined benefit or defined contribution scheme, or any other group scheme.

Employer contributions vary pro rata with the level of contributions chosen by the individual employee member, and range from 8% to 12%. Employer contributions are capped at 12%.

Group Defined Benefit assets and obligations

The assumptions that have the most significant effect on the results of the valuation of the Group defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2019	31 March 2018
Discount rate	2.35%	2.7%
Future salary increases	*2.0%	**2.0%
Inflation	2.60%	2.2%

* Salary increases are assumed to be 2.2% p.a for 2019/20 and 2.0% thereafter.

** Salary increases are assumed to be 2.1% p.a for 2018/19 and 2.0% thereafter.

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

26. Pensions (continued)

- Current pensioner aged 65: 21.4 years (male) (2018: 21.4 years), 23.7 years (female) (2018: 23.7 years).
- Future retiree upon reaching 65: 23.4 years (male) (2018: 23.4 years), 25.8 years (female) (2018: 25.8 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The information disclosed below is in respect of the whole of the plans for which the Group has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation

	SPF 2019 £ 000	LPF 2019 £ 000	SHAPS 2019 £ 000
Opening defined benefit obligation	390,536	20,351	65,425
Current service cost	12,138	525	-
Interest cost	10,678	553	1,738
Loss on curtailment	4,180	42	-
Actuarial losses	19,462	940	1,279
Contributions by members	2,346	85	-
Estimated benefits paid	(8,186)	(367)	(2,043)
Expenses	-	-	54
Closing defined benefit obligation	431,154	22,129	66,453

Movements in fair value of plan assets

	SPF 2019 £ 000	LPF 2019 £ 000	SHAPS 2019 £ 000
Opening fair value of plan assets	417,945	21,216	57,294
Expected return on plan assets	11,317	572	1,544
Actuarial gains/(losses)	13,607	1,432	(254)
Contributions by the employer	8,836	254	1,885
Contributions by the members	2,346	85	-
Estimated benefits paid	(8,186)	(367)	(2,043)
Closing fair value of plan assets	445,865	23,192	58,426

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

26. Pensions (continued)

	SPF Value at 31 March 2019 £ 000	LPF Value at 31 March 2019 £ 000	SHAPS Value at 31 March 2019 £ 000
Present value of funded defined benefit obligations	(430,797)	(22,129)	(66,450)
Present value of unfunded defined benefit obligations	(357)	-	-
Fair value of plan assets	445,865	23,192	58,423
Net asset/(liability)	14,711	1,063	(8,027)

Expense recognised in the Statement of Comprehensive Income

	SPF 2019 £ 000	LPF 2019 £ 000	SHAPS 2019 £ 000
Current service cost	12,138	567	-
Losses on settlements or curtailments	4,180	-	-
Net interest on defined benefit obligation	(639)	(19)	194
Administration costs	-	-	54
	15,679	548	248

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £6.896m loss (2018: £5.450m gain).

The fair value of the plan assets and the return on those assets were as follows:

	2019 £ 000	2018 £ 000
Equities	315,954	318,787
Corporate bonds	136,081	103,346
Property	47,378	49,751
Alternatives	16,358	18,334
Cash	11,707	6,237
	527,480	496,455
Actual return on plan assets	28,218	15,775

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

27. Related party transactions

The company retains a register of Directors' interests. During the year there were no interests in related parties that require to be disclosed or declared by Directors.

Directors received emoluments for their services to Wheatley Housing Group Limited. Details are included in Note 6.

Tenant and factored homeowners Directors

The following Directors are tenants of Glasgow Housing Association and have tenancies or factoring agreements that are on the Association's normal terms and they cannot use their positions to their advantage:

Bernadette Hewitt

Transactions entered into with members, and rent arrear balances outstanding at 31 March, are as follows:

	2019
	£ 000
Rent charged during the year	5
Arrears balances outstanding at 31 March 2019	-

Other related parties

Related party interests and transactions during the year are as follows:

	Invoiced in the year £ 000	Year end balance £ 000
2019		
City Building (Glasgow) LLP	85,550	(2,880)
Bernadette Hewitt - Transforming Communities Glasgow	-	-
Bernadette Hewitt - Barmulloch Community Development	-	-
Steven Henderson - Scotcash CIC	-	-

All transactions were on commercial terms and at arm's length.

The Wheatley Housing Group Limited has a 50:50 share in City Building (Glasgow) LLP with Glasgow City Council. The joint venture provides repairs and investment services to the Group subsidiaries in the West of Scotland.

During the year GHA held nomination rights to a directorship of Transforming Communities: Glasgow ("TC:G"). Bernadette Hewitt serves as a GHA nominated director on the board of TC:G.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

27. Related party transactions (continued)

During the year GHA held nomination rights to a directorship of Scotcash CIC. These rights allow GHA to nominate up to two directors to the board of Scotcash with Steven Henderson serving on the board during the year.

28. Cash Flow Analysis

Reconciliation of surplus to net cash inflow from operating activities

	2019	2018
	£ 000	£ 000
(Deficit)/surplus for the year	(7,243)	6,799
Depreciation of tangible fixed assets	83,321	65,645
(Increase)/decrease in stock	(125)	60
(Increase)/decrease in debtors	(5,227)	2,418
(Decrease)/increase in creditors and provisions	(4,772)	26,413
Pensions costs less contributions payable	5,964	2,860
Adjustment for investing or financing activities:		
Gain from the sale of tangible fixed assets	(1)	(3,378)
Grants utilised in the year	(56,122)	(39,533)
Interest receivable	(739)	(702)
Interest payable	57,392	59,037
Movement in fair value of financial instruments	4,727	320
Loss/(gain) on investment activities	10,638	(1,759)
Share of joint venture profit	(50)	(37)
Net cash inflow from operating activities	87,763	118,143

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29. Subsidiary and associated undertakings

The ultimate parent company is Wheatley Housing Group Limited. The Company has fourteen immediate subsidiaries – Glasgow Housing Association Limited, Cube Housing Association Limited, West Lothian Housing Partnership Limited, Loretto Housing Association Limited, Glasgow Housing Association (Funding) Limited (“GFL”), Wheatley Funding No.1 Limited, Wheatley Funding No.2 Limited, Wheatley Enterprises Limited, Lowther Homes Limited, YourPlace Property Management Limited, Dunedin Canmore Housing Limited, Barony Housing Association Limited, The Wheatley Foundation and Wheatley Solutions Limited. Loretto Care is a subsidiary of Loretto Housing Association Limited. Wheatley Housing Group Limited retains constitutional control of all subsidiary undertakings.

The objective of Wheatley Funding No.1 Limited is the provision of finance to the Registered Social Landlords in the Group. Wheatley Funding No.1 Limited is the parent of Wheatley Group Capital plc, the vehicle for raising bond financing. Financing services were previously provided to GHA by Glasgow Housing Association (Funding) Limited prior to the funding re-structure. Wheatley Enterprises Limited is a non-trading holding company overseeing commercial activity which, through YourPlace Property Management Limited, delivers factoring services to homeowners. Lowther Homes Limited is involved in investment property acquisition and offers its properties for private and mid-market rent. Wheatley Funding No.2 Limited provides finance to Lowther Homes Limited. YourPlace Property Management Limited is non-trading.

Wheatley Housing Group Limited is a 50:50 joint venture partner with Glasgow City Council in City Building (Glasgow) LLP. The Group's share of the results of City Building (Glasgow) LLP are accounted for using the equity method.

The results of Scotcash CIC have not been consolidated as an associate undertaking into these accounts as they are not material to the Group's operations. Scotcash provides accessible and affordable finance to individuals with limited access to banking services. GHA has provided start-up funding to Scotcash and has no outstanding obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29. Subsidiary and associated undertakings (continued)

The legal form and share capital of each immediate subsidiary of the Wheatley Housing Group Limited is as follows:

Subsidiary	Legal status	Issued share capital
The Glasgow Housing Association Limited	Co-operative and Community Benefit Society	9 x £1 shares
Cube Housing Association Limited	Co-operative and Community Benefit Society	228 x £1 shares
Dunedin Canmore Housing Limited	Co-operative and Community Benefit Society	80 x £1 shares
The Glasgow Housing Association (Funding) Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.1 Limited	Company Limited by Guarantee	No share capital
Wheatley Funding No.2 Limited	Company Limited by Guarantee	No share capital
Wheatley Enterprises Limited	Company Limited by Shares	100 x £1 ordinary shares
Lowther Homes Limited	Company Limited by Shares	100 x £1 ordinary shares
YourPlace Property Management Limited	Company Limited by Shares	1 x £1 ordinary shares
Loretto Housing Association Limited	Co-operative and Community Benefit Society	282 x £1 shares
West Lothian Housing Partnership Limited	Company Limited by Guarantee	No share capital
Barony Housing Association Limited	Co-operative and Community Benefit Society	60 x £1 shares
Wheatley Solutions Limited	Company Limited by Shares	100 x £1 shares
The Wheatley Foundation Limited	Company Limited by Guarantee	No share capital

The Company exercises its functions as parent of the entities listed above through ownership of 100% of the share capital in all Companies Limited by Shares, through the ownership of a parent share with controlling rights in all Co-operative and Community Benefit Societies, and through a controlling interest as a member of the Companies Limited by Guarantee.

Transactions between wholly-owned Group companies and closing balances do not require to be disclosed under FRS 102.

SUPPLEMENTARY INFORMATION

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